TRANSCRIPT OF RECORD.

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1902.

No. 140.

AMERICAN COLORTYPE COMPANY, APPELLANT,

vs.

CONTINENTAL COLORTYPE COMPANY, WILLIAM J. MAE, BAXTER J. FIERLEIN, HENRY FREESE, HENRY SCHULTZ, O. H. QUETSCH, AND J. O. H. SEIBERT.

APPEAL FROM THE CIRCUIT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF ILLINOIS.

FILED SEPTEMBER 29, 1902.

(15,699.)

(18,668.)

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1902.

No. 440.

AMERICAN COLORTYPE COMPANY, APPELLANT,

vs.

CONTINENTAL COLORTYPE COMPANY, WILLIAM J. MAAS, BAXTER J. FIERLEIN, HENRY FREESE, HENRY E. SCHULTZ, O. H. QUETSCH, AND J. O. M. SEIBERT.

APPEAL FROM THE CIRCUIT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF ILLINOIS.

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1 Pleas in the Circuit Court of the United States for the Northern District of Illinois—Northern Division, in Chancery sitting at the United States Court room, in the City of Chicago, in said District and Division, before the Honorable Christian C. Kohlsaat, District Judge of the United States for said Northern District of Illinois, on Friday, the twenty-fifth day of July, being one of the days of the regular July Term of said Court, in the year of our Lord one thousand nine hundred and two and of our Independence the one hundred and twenty seventh year. Placita.

2 MARSHALL E. SAMPSELL,
Clerk.

sts.
23.

American Colortype Company
26385 *vs.*
Continental Colortype Company, William J. Maas, Baxter J. Fierliein, Henry Freese, Henry E. Schultz, O. H. Quetsch, and J. O. M. Seibert, } In Chancery.

NORTHERN DISTRICT OF ILLINOIS—NORTHERN DIVISION.

Be it remembered that on this day to-wit: the twenty-third day of July, 1902, came the complainant, American Colortype Company, by its solicitors, Messrs. Lackner, Butz and Miller and filed in the clerk's office of said Court its Bond for Costs in words and figures following to-wit:

3 United States of America, Northern District of Illinois } ss. Northern Division.

Circuit Court,

May Term, A. D. 1902

American Colortype Company, a corporation,
vs.
Continental Colortype Company, William J. Maas, *et al.* } In Chancery.

The City Trust, Safe Deposit and Surety Company of Philadelphia, enters itself security for costs in this cause, and promise to pay all costs which may accrue to the opposite party in this action, or to any of the officers of this Court; and in default of payment by the complainant of any costs ordered or adjudged to be paid by it, hereby agree and stipulate that execution may issue against its property for all costs not exceeding two hundred dollars taxed against said complainant,

Dated this 22nd day of July A. D. 1902.

THE CITY TRUST, SAFE DEPOSIT AND SURETY COMPANY OF PHILADELPHIA.

By LOUIS L. DENT
Resident Vice President.

[SEAL]

Attest: D. NEVINS FRENCH.
Resident Assistant Secretary.

Acknowledged before me this ..... day of ..... 190.....

Bond filed 1902.

MARSHALL E. SAMPSELL,
Clerk U. S. Circuit Court, Nor. Dist., Ill.

I,..... a surety on the annexed bond being duly sworn, depose and say that I am worth in real estate, situate in the Northern District of Illinois, the sum of four hundred dolars over and above my just debts and liabilities.

.....

Sworn to and subscribed before me, this..... .....day of .....190.....

MARSHALL E. SAMPSELL,
Clerk.

(Endorsed) Jul. 23, 1902, Marshall E. Sampsell, Clerk.

And on to-wit: the 23rd day of July, 1902, came the complainant in said entitled cause by its solicitors and filed in the Clerk's office of said Court in said cause its Bill of Complaint, in words and figures following to-wit:

Bill of filed 1902

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BILL.

General Number 26285 Term Number

CIRCUIT COURT OF THE UNITED STATES

Northern District of Illinois

Northern Division.

In Chancery.

To the Honorable Judges of the Circuit Court of the United States for the Northern District of Illinois, in Chancery Sitting:—

The complainant, American Colortype Company, respectfully represents unto your Honors as follows:—

1. That it, the complainant, is a corporation duly organized and existing under and by virtue of the laws of the state of New Jersey, having its principal office in the City of Newark, in said state of New Jersey; that the complainant has also an office and place of business in the City of Chicago, Cook County, Illinois, That the defendant, Continental Colortype Company, is a corporation organ-

plaint. 23. ized and existing under and by virtue of the laws of the state of Illinois, and having its principal office and place of business in the City of Chicago, in said state of Illinois; that the other defendants, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch and J. O. M. Seibert, are all citizens of the state of Illinois, and residents of said City of Chicago.

2. That on and prior to the 20th day of November, 1901, the defendants William J. Maas and Baxter J. Fierlein were the sole members of a copartnership known and doing business as the Maas Engraving Company, which said copartnership was engaged in said City of Chicago in the business, among other things, of producing plates to be used in the production of colored pictures, known as colortype printing, the process by which said plates were made and the printing done being known as the colortype or three color process. That said William J. Maas and Baxter J. Fierlein were both actively engaged in the conduct of said copartnership business, said Fierlein being the sales manager of said business, and said Maas being the manager of the manufacturing department; and that said Maas, as such manager of the manufacturing department, was familiar with the process of producing plates for the business of colortype printing and of printing therefrom.

3. That on and prior to said November 20th, 1901, the National Colortype Company, a corporation organized and existing under and by virtue of the laws of the state of Illinois, was also engaged in business in said City of Chicago, and that its business also was the production and manufacture of plates for colortype printing and the printing therefrom in three colors; that also on and prior to said November 20th, 1901, the American 3-Color Company, a corporation organized and existing under and by virtue of the laws of the state of Illinois, was also engaged in said City of Chicago in the business of the production and manufactue of plates for colortype printing and printing therefrom in three colors.

4. That on said November 20th, 1901, the said defendants, Baxter J. Fierlein and William J. Maas, being desirous of disposing of their said copartnership business so carried on under the name of the Maas Engraving Company, offered to sell the same to said National Colortype Company for the sum of Eighty-four Hundred Dollars; and the said National Colortype Company, in consideration of the agreement of said William J. Maas and Baxter J. Fierlein to sell and transfer all the assets of said copartnership of said Maas Engraving Company, and of the further agreements of said parties that the said Baxter J. Fierlein should enter into a contract of employment as hereinafter set forth with said American 3-Color Company, and that said William J. Maas should enter into a contract of

employment as hereinafter set forth with the said National Colortype Company, agreed to pay and did pay the said Baxter J. Fierlein and William J. Maas the sum of Eighty-four Hundred Dollars, partly in cash and partly in promissory notes of said National Colortype Company; that on said last-mentioned date a bill of sale was executed by said defendants, William J. Maas and Baxter J. Fierlein, doing business as Maas Engraving Company, to the National Colortype Company, covering all the assets of said copartnership, and that all the assets and business of said copartnership were thereupon transferred and turned over to said National Colortype Company. That a copy of said bill of sale is hereto attached, marked "Exhibit A" and made a part hereof. Bill of filed 1902.

5. That in and by said bill of sale, it was agreed, as a part of the sale and purchase of the assets of said Maas Engraving Company, that the said Baxter J. Fierlein should enter into a contract of employment with said American 3-Color Company, of Chicago, for a period of two years from December 1, 1901, and that said William J. Maas should enter into a contract of employment with said National Colortype Company for a period of five years from said December 1st, 1901, the terms of said contracts of employment being more particularly set forth therein. That the said American 3-Color Company, for the purpose of securing the services of said Baxter J. Fierlein for the period and upon the terms set forth in said contract of employment between said American 3-Color Company and said Fierlein, furnished a substantial portion of said sum of Eighty-four Hundred Dollars paid to said Maas and Fierlein for said tract, Exhibit A, and that the agreements of said Maas and said Fierlein to enter into the employ, respectively, of said National Colortype Company and said American 3-Color Company, were a material part of the consideration of said purchase by said National Colortype Company and for the furnishing of a part of the price of said purchase by said American 3-Color Company. That the principal inducement to said National Colortype Company to purchase said business was the agreement of said Maas to enter the employ of said National Colortype Company for a period of five years as hereinafter set forth, and the principal to said American 3-Color Company to furnish a portion of said purchase price, as hereinafter stated, was the agreement of said Fierlein to enter the employ of said American 3-Color Company for a period of two years; That the principal and only inducement to the National Colortype Company to employ said Maas was his knowledge and skill in making colortype plates and his agreements set forth in his contract of employment of November 20, 1901, particularly his agreements to remain in the employ of said

plaint, 23, company for five years, not to divulge secrets or information, and not to engage in any manner in a competing business for a term of years.

6. That on the same date, namely: November 20th, 1901, and as a part of the same transaction, the said William J. Maas entered into a contract of employment with said National Colortype Company, a copy of which said contract is hereto attached, marked "Exhibit B" and made a part hereof. That in and by said contract said National Colortype Company agreed to employ and did employ said Maas in its business in the capacity of superintendent of its plate making department, and said Maas agreed to accept said employment for the period of five years from December 1st, 1901, and that he would faithfully perform all the duties pertaining to the same, and further agreed that he would not, during said period of five years, accept employment in the capacity above mentioned, or in any other capacity with any person or corporation engaged in the business of three-color printing; that he, said Maas, would not, for a period of ten years from said December 1st, 1901, in any of the states or territories of the United States east of the Rocky Mountains, become interested in, either as owner, stockholder, employer, employee, or otherwise, any three-color printing business, or in any business doing a similar class of work to that of the National Colortype Company; also that he would not, during such ten years, divulge to any person or persons any secrets or processes relating to the business of three-color printing of which he might then be possessed, or which he might learn during his term of employment, and that he would not, during such time, teach such processes to any person whomsoever; and it was further stated in said contract that it was understood to be a part of the consideration of said employment as well as a part of the consideration of the purchase of the business of said Maas Engraving Company, that said Maas should not engage or be interested in, for the period of ten years from December 1st, 1901, any business similar to that carried on by said National Colortype Company.

8 7. That on the same date, namely: November 20th, 1901, and as a part of the same transaction, said Baxter J. Fierlein, as provided in said bill of sale, entered into a contract with said American 3-color Company, whereby said company employed said Fierlein in the capacity of salesman for the period of two years from December 1st, 1901, and the said Fierlein agreed to devote his whole time and attention to the interest of said business of said American 3-Color Company, and to perform faithfully the duties

of his employment; a copy of which said contract is hereto attached, marked "Exhibit C", and made a part hereof. Bill of filed 1902.

8. That on or about December 1st, 1901, said William J. Maas entered into the employ of said National Colortype Company, pursuant to said contract, and became superintendent of its plate making department, and in addition to the secrets and processes relating to the business of three-color printing of which said Maas was in possession on December 1st, 1901, he, the said Maas, by virtue of and as a necessary result of his employment by said National Colortype Company, became possessed of other secrets relating to the process of making colortype plates and printing therefrom; that said Mass was fully and freely instructed by the officers and other employees of the National Colortype Company in such secrets, and that said officers and said company, in so doing, confided in the aforesaid promises of said Maas and in his supposed honesty and reliability.

9. That said Baxter J. Fierlein also, on or about December 1st, 1901, entered into the employ of said American 3-Color Company, pursuant to said contract, "Exhibit C", and the said American 3-Color Company, relying upon said contract and confiding in his supposed honesty, acquainted said Fierlein with the names of all its customers and its methods of doing business and its means of securing trade and customers.

10. That the said William J. Maas continued as aforesaid in the employ of said National Colortype Company, and the said Baxter J. Fierlein continued as aforesaid in the employ of said American 3-Color Company, until on or about the 15th day of February, 1902, when said National Colortype Company and said American 3-Color Company, and a corporation known as the Osborne Company, organized under the laws of the state of New
9 Jersey and then engaged in the business of making and selling calendar backs, entered into an agreement to consolidate and combine their respective business interests under the name and style of the American Colortype Company, and on or about March 1st, 1902, pursuant to said agreement, the complainant corporation was formed, and each of said companies transferred to the complainant all the assets of each and all of said respective companies, including goodwill, trade secrets and all contracts of whatever name and nature, including among other things, all assets of said copartnership formerly known at the Mass Engraving Company, and said contracts hereinabove referred to as Exhibits A, B and C, copies of which are hereto attached, and that all of said contracts were transferred, said contracts designated as Exhibits A and B by said National Colortype Company, and said contract

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designated as Exhibit C by said American 3-Color Company, to the complainant, as a part of the consolidation of the business of said respective companies; and that since said date the business of three-color printing and plate making for that purpose of said respective companies, and all the business theretofore conducted by the National Colortype Company, including the business formerly carried on by the copartnership known as Maas Engraving Company, and all the business formerly carried on by the American 3-Color Company, has been continued and now is carried on by the complainant under the name of the American Colortype Company. That the trade and business of said National Colortype Company, on November 20th, 1901, extended throughout the United States, east of the Rocky Mountains, and the business of the complainant since its organization, has extended and now extends throughout said territory.

11. That said William J. Maas, well knowing of said consolidation and said transfer to the complainant of the business, assets and good will of the National Colortype Company, and well knowing of the transfer to the complainant of the said contracts herein designated as Exhibits A and B, consented to said transfer, and announced his intention of holding the complainant upon said contracts, and remained in the employ of the complainant in the same capacity that he was prior to March 1st, 1902, employed by the National Colortype Company, namely: in the capacity of superintendent of plate making, and that he so remained in the employ of the complainant and accepted the salary stipulated in said contract, Exhibit B, and in all respects acquiesced in said contract, Exhibit B, and recognized the complainant as his employer thereunder, until on or about July 1st, 1902, and that since said consolidation said Maas has been instructed by complainant in secrets of great value in making colortype plates; and the complainant says that by the acts and doings of said National Colortype Company, and the said William J. Maas and the complainant on and after said March 1st, 1902, the complainant, by the consent of all parties, became substituted as a party to said contract, Exhibit B, in place and in lieu of the National Colortype Company. That the surroundings of said Maas and his conditions of work have been the same since said consolidation as before.

12. That the said Baxter J. Fierlien, also well knowing of the aforesaid consolidation and the aforesaid transfer of all the assets and contracts and good will of the American 3-Color Company to the complainant and consenting thereto, and well knowing of the transfer by said American 3-Color Company to the complainant of the contract herein referred to as Exhibit C, consented thereto

and remained in the employ of the complainant from said March 1st, 1902, until on or about July 1st, 1902, in the capacity of salesman of the complainant, visiting its customers and dealing with the same, and receiving and accepting the salary stipulated in said contract Exhibit C; and the complainant avers that by the acts of said American 3-Color Company and said Baxter J. Fierlein and the complainant on and since March 1st, 1902, the complainant, by the consent of all said parties, has become substituted as a party to said contract Exhibit C, in place and in lieu of the American 3-Color Company. Bill of filed 1902

13. That the defendant, Henry Freese, on December 1st, 1900, entered into a contract with said National Colortype Company (which was at that time doing business in said City of Chicago under the name of the Chicago Colortype Company, for the purpose of preserving the good will of the Chicago Colortype Company, whose assets, good will and business had before that time been purchased by said National Colortype Company), wherein said Freese agreed to enter the employ of said company from then until May 1st, 1903, in its copper plate etching department
11 and wherein said Freese agreed never to divulge to anyone any of the secrets or methods or practices of said company, and especially to keep said colortype process strictly secret, and not to divulge, either directly or indirectly, any knowledge thereof to any person or persons, and that he, said Freese, would not, during the period of said contract, enter the employ of any person, firm or corporation engaged in the same business as said company, or in a similar business, nor would he, during said period, engage in any work , except for said company, wherein he would be able to utilize the knowledge acquired while working for said company; and in which contract it was stated that said company would not divulge any of its secrets to said Freese or allow him to gain any knowledge of its processes or practices were it not for the faithful promise of said Freese not to divulge the same; that he, Freese, thereupon and pursuant thereto, entered into the employ of said National Colortype Company, and that said company, relying upon said contract and upon the supposed honesty and faithfulness of said Freese, freely and fully instructed said Freese in the secret arts and processes relating to colortype printing and the making of plates for said colortype printing, as it was necessary to do in order to utilize the services of said Freese, and that said contract with said Freese, at the time of the transfer to the complainant by the National Colortype Company of its assets was also transferred by said National Colortype Company with the consent of said Freese, who thereupon, with full knowledge of said consolidation and trans-

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fer, and giving his full assent thereto, became under said contract employed by the complainant, and so remained until on or about July 1st, 1902, and that said Freese, since said consolidation, has been instructed by complainant in secrets of great value to complainant in making colortype plates; and that by the acts of said Freese and said National Colortype Company and the complainant the latter company became by the consent of all parties substituted as the employer of said Freese and as a party to said contract with said Freese; that a copy of said contract is hereto attached, marked "Exhibit D" and made a part hereof.

14. That the defendant Henry E. Schultz was prior to July 1, 1902, in the employ of the complainant under a contract to work for it in its photographing department until August 1st, 1902; and by virtue of his said employment has become possessed of certain secrets and processes belonging to complainant relating to three-color printing.

15. That the defendants, O. H. Quetsch and J. O. M. Seibert, prior to the conspirary hereinafter mentioned and prior to November 20th, 1901, were officers and directors of an Illinois corporation, known as Seibert-Quetsch & Co., which company did printing for the copartnership known as Maas Engraving Company in connection with its colortype printing.

16. That on or about the month of May, 1902, the said Baxter J. Fierlein and William J. Maas, while still in the employ of the complainant, conceived the fraudulent scheme and design of violating their aforesaid contracts with the complainant, and robbing the complainant, as far as they could, of the entire consideration, amounting to Eighty-four Hundred Dollars, which they, the said Maas and said Fierlein had received from the American 3-Color Company and the National Colortype Company, the predecessors and constituents of the complainant; that said Maas and Fierlein were aided and abetted in their said nefarious conspiracy by the defendants, O. H. Quetsch and J. O. M. Seibert, and to that end said four defendants, on or about July 1st, 1902, caused the name of said Seibert Quetsch & Co. to be changed to the "Continental Colortype Company"; that said four defendants, as the complainant is informed and believes, all became stockholders an directors of said Continental Colortype Company; and that said Fierlein became president, said Quetsch vice-president, said Maas secretary, and said Seibert treasurer of said company; that all said parties, as complainant is informed and believes, contributed to the capital stock and resources of said Continental Colortype Company, said Maas and Fierlein devoting to that purpose the said Eighty-four Hundred Dollars or a part thereof.

17. That said Continental Colortype Company is located and doing business in said City of Chicago and was formed by said four defendants for the sole purpose of defrauding and despoiling the complainant of the whole consideration paid by its predecessors for the aforesaid contracts of November 20th, 1901, by engaging, in the city of Chicago aforesaid, in the business of making colortype plates
13 and printing therefrom, by and through the knowledge and experience of said Maas and Fierlein, and the aid of said Freese and Schultz and any other of complainant's employees whom they might be able to induce to violate their contracts. That it is the intention of said Continental Colortype Company and said defendants, Maas, Quetsch, Fierlein and Seibert, to engage and enter into the business, in said City of Chicago, of making plates for colortype printing and printing therefrom, in competition with the complainant, and that said intention has been announced by a circular letter, a copy of which is hereto attached, marked "Exhibit E", and made a part hereof, which letter has been widely published and sent to the complainant's customers by said five last named defendants; that said Continental Colortype Company, said Quetsch and said Seibert are and will be wholly unable to engage or continue in the business of producing plates for colortype printing or printing therefrom without the aid and knowledge possessed by said Maas and said Fierlein on November 20th, 1901, and acquired by them since that time while in the employ of the complainant and of the National Colortype Company and of the American 3-Color Company; that said Continental Colortype Company and said Quetsch and said Seibert and their employees have acquired whatever knowledge they have concerning the making of colortype plates through the fraud and villainy of the defendants Maas and Fierlein, and the breach of their contracts as herein set forth, and that said Quetsch and Seibert, as the complainant is informed and believes aided and abetted said Maas and Fierlein in the formation of said Continental Colortype Company, with full knowledge of the fact that the acts of said Maas and Fierlein in agreeing to divulge to said company and said other dedendants their knowledge concerning the said business was a gross violation of their contracts with the complainant.

18. The complainant further says that the said Maas and said Fierlein, in the month of June, 1902, while still both in the employ of the complainant, and while both drawing salaries from the complainant, devoted their time, not to the furtherance of the interest of complainant's business, but to the consummation of their conspiracy to defraud the complainant of its property; that while so being
14 paid by the complainant, the defendant Fierlein employed his time, as complainant is informed and believes, in preparing from

aint. 3. complainant's books, a list of complainant's customers, and a complete copy of complainant's estimates on colortype work and the parties for whom same was made, for the purpose of thereafter using the same to divert the complainant's business to the Continental Colortype Company and its officers; and that the said Fierlein and the said Maas, while both being paid for their time by the complainant, employed their time in intriguing with and corrupting other of complainant's employees who were under contract to work for the complainant for terms yet unexpired and who had agreed with the complainant not to divulge any of the secrets or processes of the complainant, or to work for others than the complainant in any work wherein such secrets or processes might be used; that by such nefarious practices the said defendants, Maas and Fierlein, while so being paid by the complainant for their time, induced the said Freese to break faith with the complainant, to violate his contract, and join their said conspiracy, and the said Freese has since July 1st, 1902, pursuant to the inducements and bribes offered him by said other defendants, left the complainant's employ and entered into the employ of the Continental Colortype Company, and said other defendants, with the intention of disclosing to said other defendants all the knowledge concerning the secrets and processes of the complainant for the making of colortype plates and printing therefrom possessed by him, which secrets and processes were learned by said Freese while in the employ of the complainant and its said predecessors; and that said Maas and Fierlein have also, by like nefarious practices and fraudulent inducements, procured the said defendant Schultz to violate his contract with the complainant and join their said conspiracy and accept employment with said Continental Colortype Company, which said Schultz has since done.

19. That although the complainant has in all things observed its contracts with said Maas and Fierlein, as well as said Freese and Schultz, the said Maas and Fierlein, on or about the first day of July, 1902, gave notice to the complainant that they would at once quit the complainant's employ, which they thereupon did, without assigning or having any reason therefor, having first, however, used the positions which they had with the complanant chiefly to prepare themselves for the consummation of their plans to rob the complainant of its lawfully acquired property.

20. That the so-called "Maas" process of color plate making, mentioned in said circular letter called Exhibit E, is a process which said Maas, on November 20th, 1901, agreed not to use except for the benefit of said National Colortype Company; that the production of "colored photography", and "printing of reproductions of art subjects and all kinds of merchandise", and "the color-plate making"

Bill of filed 1902.

mentioned in said circular, Exhibit E, all refer to the process and processes of the complainant, namely: the manufacture of socalled colortype plates and printing therefrom; that "colortype printing" and colortype plates" have a well known and well established meaning in the trade, the latter being plates made by a secret photographic process for the exact reproduction by means of three colors printed by three separate plates, of pictures and articles of merchandise.

21. The complainant further shows and alleges that in the manufacture of said colortype plates and in the printing of pictures therefrom, the complainant has acquired and now possesses many new and original processes, which it is to its interest to keep secret; that aside from the complainant and the defendant Continental Colortype Company, there are but few manufacturers of said colortype plates, and each manufacturer preserves the secrecy of the processes for such manufacture known to himself; that the complainant has developed the process for the manufacture of said colortype plates more highly than any other manufacturer, and in so doing has acquired and is in possession of secrets employed in such manufacture known only to itself and its employees; that such secrets are an important and very valuable asset of complainant's business: that by virtue of the position and employment of the said defendant Maas with the complainant, it became necessary to acquaint said defendant with all said secrets and he was so fully acquainted with them; that by virtue of said Frees' employment with the complainant, it was also necessary to acquaint the said defendant Freese with many of the said secrets of the com-
16 plainant for the manufacture of said colortype plates, and said Freese was so acquainted with many of said secrets while in the complainant's employ. That said Feese, by virtue of his said employment, necessarily had access to the complainant's lists of customers and estimates on colortype work, which lists and estimates were of great value to complainant, and were kept secret by it.

22. That the complainant and its said predecessors and constituent companies have used great care to prevent the communication of said secrets and processes to others and to that end have bound their various employees by contract to preserve the secrecy of the processes communicated to them, and have excluded from their factories all except those necessarily employed therein, and have communicated such secrets only to those employes who were required to know them in order to conduct the business.

23. Complainant further alleges that the defendants Maas, Fierlein, Freese and Schultz have each contracted with said defendant Continental Colortype Company to, and unless restrained

mplaint, y 23.

by the order of this court will, divulge to said Continental Colortype Company and to the defendants Quetsch and Seibert, all their knowledge rgarding the secrets and processes relating to the manufacture of colortype plates and printing therefrom, both the knowledge which said defendants had when they respectively entered the employ of the complainant and its predecessors, and the knowledge which they have obtained while in the employ of the complainant and its predecessors, and that the defendant Fierlein, unless restrained by the order of this honorable court, will divulge to said defendant Continental Colortype Company all the knowledge which he, by virtue of his employment with the complainant and with the American 3-Color Company, has obtained as to the customers and business and business methods of the complainant, all of which would be contrary to equity and good conscience, would be a violation by said several defendants of their various contracts hereinbefore mentioned, and would result in depriving the complainant of a large part of the consideration for which said Maas and Fierlein were paid the said sum of Eighty-four Hundred Dollars, and would injure the complainant to an extent greater than Two Thousand Dollars. That to permit the defendants to carry out their dishonest and fraudulent plans and schemes as herein set forth, or to permit the defendants Maas and Fierlein and Freese, or any of them, to remain in the employ of the said Continental
17 Colortype Company, or to permit said Continental Colortype Company to reproduce colortype plates and print therefrom by means of information heretofore obtained or hereafter to be obtained from said other defendants, or any of them, would result in irreparable damage and injury to the complainant, the extent of which cannot be ascertained or measured in money; that the value of said contracts, Exhibits A, B, and C, to the the complainant, is at least equal to the amount paid therefor, namely, Eighty-four Hundred Dollars.

25. That upon being notified or learning that said defendants, William J. Maas, Baxter J. Fierlein, Henry Freese and Henry E. Schultz, intended to leave the employ of the complainant, the complainant at once protested to said parties, and each of them, against their and each of their leaving complainant's employ, and urged them, and each of them, to return to and remain with and in the employ of the complainant, but that said parties and each of them, refused to do so. That the complainant is now ready and willing to receive back into its employ the said parties and each of them, upon the terms and conditions of their several aforesaid respective contracts with the complainant, and upon the terms and conditions under which said parties respectively were working

for the complainant before the time or times of their so leaving as aforesaid.

Bill of c filed J 1902.

26. Complainant further shows unto the court that unless a restraining order be issued herein forthwith, and without notice and a temporary injunction be issued herein until this cause can be heard and determined on the merits, the defendants, formerly employed by the complainant, will in the meantime, colluding and conspiring together and with the other defendants, immediately proceed to disclose and impart all the said valuable information and secrets, and thereby the complainant will be irreparably injured in the premises, and will be hindered and delayed, and any injunction which might ultimately be issued herein rendered in a large measure ineffectual.

18 Foras much, therefore, as the complainant is without remedy in the premises save in a court of equity, the complainant prays that the said Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch and J. O. M. Seibert, may be made parties defendant to this bill; that they may be required to answer the same, but not under oath, the answer under oath being hereby expressly waived; that the defendants may be restrained and enjoined by the order of this honorable court as follows: that the defendant William J. Maas be restrained and enjoined until December 1st, 1911, from becoming interested in, in any of the states and territories of the United States east of the Rocky Mountains, either as owner, stockholder, employer, employee or otherwise, in any three-color printing business or in any business doing a similar class of work to that of the complainant as hereinabove set forth, and from divulging until said date, to any person or persons any secrets or processes relating to the business of three-color printing which he may now be possessed of and from teaching any such process or processes to any person whomsoever and from accepting employment, until said date, in any capacity with any person or corporation engaged in the business of three-color printing; and that the said defendant, William J. Maas, be further restrained and enjoined, until said date, from in any manner, directly or indirectly, working for or rendering any assistance or aid of any kind, name or nature, to the Continental Colortype Company, O. H. Quetsch or J. O. M. Seibert, and from in any manner, directly or indirectly, imparting to said parties or any of them, using for their benefit or for the benefit of any of them, or permitting to be used or availed of by said parties or any of them, in any way whatsoever, the skill, knowledge or ability possessed by said defendant William J. Maas, in the production of colortype plates or printing therefrom, and from in any manner,

nplaint, y 23,

until said date, directly or indirectly, being in any way interested, either as employee, principal, agent, stockholder, officer, director, or any capacity whatsoever, in said Continental Colortype Company, or the business carried on by it, and from in any manner, directly or indirectly, disclosing to said Continental Colortype Company, or said O. H. Quetsch or said J. O. M. Seibert, or said
19 Baxter J. Fierlein, or any of them, or their or its officers, directors, agents, employees, servants, or attorneys, any information, knowledge, trade secret, method, process or processes of any kind, name or nature, relating to the production of colortype plates or printing therefrom, and from disclosing to said Continental Colortype Company, said Questch, or said Seibert, or any of their or its officers, directors, agents, employees, servants or attorneys, any of the business secrets, names of customers of the complainant, or other information relating to the business of the complainant obtained by said defendant while in the employ of the complainant or its predecessors or any of them; that the defendant Baxter J. Fierlein, be enjoined and restrained, until December 1st, 1903, from in any manner, directly or indirectly, working for, rendering any assistance or aid of any kind, name, nature or description, to the defendants, Continental Colortype Company, O. H. Quetsch and J. O. M. Seibert, or any of them, in any capacity whatsoever, and from working for, rendering any assistance or aid of any kind to any person, firm or corporation engaged in the three-color plate making or printing business in any capacity whatsoever, or disclosing to said Continental Colortype Company, or the defendants O. H. Quetsch and J. O. M. Seibert, or any of them or any other person, the list of customers or estimates or other business secrets of the complainant learned by said Fierlein while in the complainant's employ, or in the employ of the American 3-Color Company; that the defendant, Henry Freese, be restrained and enjoined, until May 1st, 1903, from divulging to any person any of the secrets or methods or practices of the complainant or of the National Colortype Company, which he learned while in the employ of them or either of them, or which he knew when he entered their employ, and from divulging, either directly or indirectly, to any person whomsoever, any knowledge of the process of producing colortype plates or printing therefrom which said Freese learned while in the employ of the complainant or the National Colortype Company, or which he knew when entering the employ of said companies, or either of them, and from entering the employ of any person, firm or corporation engaged in the business of manufacturing or producing colortype plates or printing therefrom, or any similar business

or in any business wherein he will or may be able to utilize Bill of filed 1902.
20 the knowledge acquired while working for the complainant, or the National Colortype Company, and that said Henry Freese may be further enjoined and restrained, until May 1st, 1903, from in any manner, directly or indirectly, working for, rendering any assistance or aid of any kind, name or nature, to the Continental Colortype Company, said O. H. Quetsch or said J. O. M. Seibert, said William J. Maas, said Baxter J. Fierlein, or either of them, and from in any manner, directly or indirectly, imparting to said Continental Colortype Company, said Quetsch or said Seibert, or said Maas or said Fierlein, or either of them, or using for the benefit of them or either of them, or permitting them or either of them to avail themselves or any of themselves, in any way whatsoever, of the skill, knowledge or ability, or secrets possessed by the said Freese, for the production of colortype plates or printing therefrom, and from remaining in the emply in any capacity whatsoever of said Continental Colortype Company, or said O. H. Quetsch or said J. O. M. Seibert or said Maas or said Fierlein, and from becoming employed by or remaining in the employ of, in any capacity whatsoever, any person, firm or corporation engaged in a business similar to that of the complainant; that the defendant Henry E. Schultz be enjoined and restrained until August 1st, 1902, from being or remaining in any capacity whatsoever, in the employ of the defendant Continental Colortype Company, said O. H. Quetsch or said J. O. M. Seibert, said William J. Maas or said Baxter J. Fierlein, or any or either of them; that the defendants, Continental Colortype Company, O. H. Quetsch and J. O. M. Seibert be each and all retrained and enjoined, until the several times aforesaid, from using or employing, in any capacity whatsoever, the services, aid or assistance of said William J. Maas, or said Baxter J. Fierlein, or said Henry Freese, or said Henry E. Schultz, and from using, employing or taking advantage of, in any manner whatever, any information relating to the production of colortype plates or printing therefrom, at any time obtained from said William J. Maas, said Baxter J. Fierlein, said Henry Freese, said Henry E. Schultz or any of them, and from making or continuing to make three-color plates or printing therefrom by means, di-
21 rectly or indirectly, of any knowledge or information obtained from the defendants, William J. Maas, Baxter J. Fierlein, Henry Freese, and Henry E. Schultz, or any or either of them, and from retaining any of said persons in their employ, or in the employ of either of them; that a restraining order, restraining and enjoining the defendants in the manner hereinabove prayed, may be entered by the court until the complainant's motion for a tem-

plaint, 23.

porary injunction may be heard and determined by the court; and that a temporary injunction may be issued herein by this court restraining and enjoining the defendants in manner as hereinabove prayed, until a final hearing may be had, and that upon said final hearing said injuction may be made perpetual; and that the complainant may have such other and further relief in the premises as equity may require and to your honors shall seem meet.

May it please your honors to grant the complainant the usual subpœna in chancery, issuing out of and under the seal of this court, to be directed to the said defendants, commanding them to appear before this court, on a certain day therein named, then and there to answer this bill, and abide by such order and decree as to this court may seem meet.

May it also please your honors to grant unto the complainant the writ of injunction in chancery, issuing out of and under the seal of this court, directed to the said defendants, enjoining and restraining them in manner and form as prayed in this bill, and to enter the usual restraining order herein in mannar and form as above prayed.

AMERICAN COLORTYPE COMPANY,
By LACKNER BUTZ & MILLER,
Its Solicitors.

LACKNER, BUTZ & MILLER,
Solicitors for complainant.

22 State of Illinois } ss.
County of Cook }

John H. Behrens, being first duly sworn, upon his oath deposes and says that he is the treasurer of the American Colortype Company, the complainant in the above bill of complaint; that he has read the above and foregoing bill of complaint, and knows the contents thereof and that each and all the matters and things in said bill of complaint contained are in all respects true of affiant's own knowledge, except as to those matters stated to be alleged on information and belief, and as to those matters he believes them to be true.

JOHN H. BEHRENS,

Subscribed and sworn to before me this 22d day of July 1902.

MARGARET C. HANDTMANN,
Notary Public.

[SEAL]

EXHIBIT A.

Exhib
sale
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Memorandum of Agreement, made this 20th day of November, 1901, by and between Maas Engraving Company, a partnership consisting of Baxter J. Fierlein and William J. Maas, all of the City of Chicago, parties of the first part, and the National Colortype Company, a corporation organized under the laws of the state of Illinois, party of the second part, Witnesseth:

1. That said Maas Engraving Company has agreed to sell and convey, and hereby does sell, convey, assign and transfer to the said National Colortype Company all the machinery, tools, stock in trade and other personal property to it belonging and used by it in its business carried on at number 153 LaSalle Street in the City of Chicago, a list of which personal property is hereto attached, marked "Exhibit A," it being, however, understood that the skylight mentioned on said list is not included in the sale, and that said list is supposed to be a correct inventory of the property hereby intended to be sold, but that all the personal property belonging to said business is included in this contract of sale, with the exception of said skylight, the accounts receivable, and the bills receivable, which are reserved to the parties of the first part.

2. The parties of the first part hereby agree and warrant that they have a good title to said property and will hold the party of the second part indemnified in the premises, not only as against their own creditors, but against all parties who may claim any right, title or interest in said property.

3. It is also agreed and understood that the lease of the premises in which said business is now carried on remains the property of said parties of the first part and is not transferred to the party of the second part by the terms of this agreement, and that the party of the second part shall in no wise be held liable for any present or future rent accruing under the terms of said lease.

4. On the part of the party of the second part it is agreed that it will pay to the parties of the first part, as a consideration for said purchase, the sum of Eight Thousand Four Hundred
24 Dollars ($8,400), of which sum Two Hundred Dollars ($200) has this day been paid, the receipt whereof is hereby acknowledged, and the sum of Three Thousand Eight Hundred Dollars ($3,800) is to be paid on December 1, 1901, upon the delivery of said personal property. The balance of Four Thousand Four Hundred Dollars ($4,400) is to be paid by the execution to said William J. Maas of the promissory notes of said National Colortype Company.

—Bill of ov. 29,

One for the sum of Eleven Hundred Dollars, due in one year after December 1, 1901.

One for the sum of Eleven Hundred Dollars, due in two years after December 1, 1901.

One for the sum of Eleven Hundred Dollars, due in three years after December 1, 1901.

One for the sum of Eleven Hundred Dollars, due in four years after December 1, 1901.

all of said notes bearing even date herewith and to bear interest at the rate of six per cent per annum.

5. It is further agreed between the parties hereto that as a part of the sale and purchase of the property herein described, said Baxter J. Fierlein will enter into a contract of employment with the American 3-Color Company of Chicago, bearing even date herewith, for the period of two years from December 1, 1901, the particulars of which said contract are to be more fully therein set forth; and that the said William J. Maas will also enter into a contract of employment with the said National Colortype Company for a period of five years from said December 1, 1891, the particulars of which contract will also more fully appear in said contract of employment.

In Witness Whereof, the parties of the first part have hereunto set their hands and seals, and said party of the second part has caused these presents to be signed by its president and secretary and its corporate seal to be hereto affixed, the day and year first above written.

(Signed) BAXTER J. FIERLEIN, [SEAL]
WILLIAM J. MAAS, [SEAL]
NATIONAL COLORTYPE COMPANY,
By J. H. BEHRENS,
its president.
and FREDERICK S. OSGOOD,
its Secretary.

NATIONAL COLORTYPE COMPANY
Corporate Seal
Chicago, Ills.

Dec. 4/01 Received on above Thirty Eight Hundred Dollars ($3,800.00).

(Signed) WILLIAM J. MAAS.

Dec. 19, 1901.

Received four notes for a total of forty-four hundred dollars, in full settlement of above.

(Signed) WILL J. MAAS.

EXHIBIT B.

Exhibit tra 190

26 Memorandum of Agreement, made by and between the National Colortype Company of the City of Chicago, party of the first part, and William J. Maas, of the same place, party of the second part, Witnesseth:—

That the party of the first part does hereby employ said party of the second part in the capacity of superintendent of its plat-making department in its business carried on in the city of Chicago, or, at its option, at its plant in the city of New York or in any plant in the east hereafter to be by it established, said employent to be for the term of five years from Decemper 1, 1901; and it agrees to pay to said party of the second part a salary of Fifty Dollars ($50) per week, payable weekly, if the employment be in county of Cook, and a salary of Sixty Dollars ($60) per week, payable weekly, if the employment be in any other place than in the county of Cook, said employment to begin on December 1, 1901.

The party of the second part hereby agrees that he will remain in the employment of said company in the capacity hereinbefore mentioned, in the county of Cook, or at any such place in the east as he may be directed to go by the party of the first part, and will give his whole time and attention to the business of said party of the first during said period of five years from said December 1, 1901; that he will faithfully perform the duties of his said employment, under the reasonable rules and regulations of said party of the first part, and that he will not, during said period of five years, accept employment in the capacity above mentioned, or in any other capacity, with any person or corporation engaged in the business of three-color printing.

The party of the second part further agrees that he will not, for the period of ten years from said December 1, 1901, in any of the states or territors of the United States of America east of the Rocky Mountains, become interested in, either as owner, stockholder, employer, employe or otherwise, any three-color printing business, or in any business doing a similar class of work to that of the said National Colortype Company; also, that he will not, during such ten years to any person or persons any secrets or processes relating to the

27 business of three-color printing, of which he may now be possessed or which hemay learn during his term of employment, and that he will not during such time teach such processes to any person whatever,—it beingunderstood that it is a part of the consideration of this employment, as well as a part of the consideration of the purchase of the business of the Maas Engraving Com-

Con-
tr. 20, pany, in which said William J. Maas was interested, made by the party of the first part this day, that the said William J. Maas shall not engage in or be interested in, for the period of ten years from said December 1, 1901, a similar business to that carried on by said National Colortype Company.

It is also agreed, as a part of the consideration of this employment, that two promissory notes this day given by the party of the first part to said William J. Maas as a part of the purchase price of the personal property belonging to said Maas Engraving Company, and which notes are due in three and four years after said December 1, 1901, shall contain a clause that they shall not be due and payable unless the terms of this agreement on the part of said William J. Maas are performed up to the date of the maturity of said notes,—it being the spirit of this agreement that said two notes shall be security for the performance of this agreement on the part of said William J. Maas in all its particulars.

It is also understood that the endorsement on said notes above provided for shall not be construed in any way as stipulating for liquidated damages, but that the party of the first part shall have the right to enforce the performance of this contract on the part of the party of the second part by injunction or otherwise, and in this connection it is also understood that if the period of employment above provided for should at any time be terminated without the fault of the party of the second part before the end of said term of five years, such termination of said employment shall in no way affect the right of the party of the second part to enforce the payment of said notes.

In Witness Whereof, said party of the first part has caused these presents to be signed by its ..... and .....
its corporate seal to be hereto affixed, and said party of the sec-
28 ond part has hereunto set his hand and seal, this 20th day of November, 1901.

(Signed) NATIONAL COLORTYPE COMPANY,

{ National Colortype Company Chicago Ills. SEAL. }

By J. H. BEHRENS,
its President.
and FREDERICK S. OSGOOD,
its Secretary.

WILLIAM J. MAAS. [SEAL]

EXHIBIT C.

Memorandum of Agreement, made between the American 3-Color Company of the city of Chicago, of the first part and B. J. Fierlein of the same place, of the second part, Witnesseth:

That the party of the first part does hereby employ the said party of the second part in its business in the city of Chicago or in the city of New York in the capacity of salesman, at the salary of Fifty dollars per week if the employment be in the city of Chicago, and Sixty dollars per week if the employment be in the city of New York, said employment to last for the period of two years from December 1, 1901, said salary to be payable weekly.

The party of the second part hereby agrees to devote his whole time and attention to the interest and business of the party of the first part and to perform faithfully the duties of his employment under the reasonable rules and regulations of the party of the first part during said period.

(Signed) AMERICAN 3-COLOR COMPANY.
B. J. FIERLIN.

30

EXHIBIT D.

This agreement, made this First day of December, 1900, between the Chicago Colortype Company, hereinafter called the "Company" of the one part, and Henry Freese, of the other part:

Witnesseth: that said Company in consideration of the premises and agreements hereinafter made by the said Freese, hereby agrees as follows:

First: Said company agrees to employ said Freese in their copper Plate Etching Department for a term of two years and five months from the above date, and to instruct him in their method of etching, furnishing him such information as is necessary to gain a thorough knowledge of same.

Said company further agrees to pay said Freese for his services the following amounts, viz:

From December 1st, 1900, to May 1st, 1901, at the rate of Eighteen Dollars ($18.00) per week.

From May 1st, 1901 to May 1st, 1902 at the rate of Twenty-one Dollars ($21,00) per week, and

From May 1st, 1902 to May 1st, 1903, at the rate of Twenty-four Dollars ($24.00) per week, payable weekly.

The regular working time to be in accordiance with Union Rules with the right of said company to call upon said Freese for reasonable overtime work, paying him for such overtime work one and one-half times as much pay as for the same amount of regular work.

Said Freese in consideration of the premises and agreements herein made by said company, agrees to remain in the employ of said company for the full period as above mentioned and to discharge the duties assigned him from time to time conscientiously and to the full extent of his ability, and upon request of said company to work overtime to a reasonable extent at the rate above specified.

And Whereas: The successful prosecution of the business of said Company necessitates keeping secret the processes and practices of said business, said Freese further agrees never to divulge to anyone any of the secrets or methods or practices of said company, and especially to keep said colortype process strictly secret, and not to divulge, either directly or indirectly, any knowledge thereof to any person or persons.

Said Freese also agrees to conform with the rules and regulations of the company in conducting their business.

31 Said Freese further agrees that during the period for which this contract is made, he will not enter the employ of any person, firm or corporation engaged in the same business as said company, or in any similar business, nor will said Freeze during said period engage in any work except for said company wherein he will be able to utilize the knowledge acquired while working for said company.

And whereas, if said Freese should, during the period of this contract, go to work for some other person, firm, or corporation engaged in a line of business similar to that of said company, it might in a suit brought against said Freese to enjoin him from working for such company, as aforesaid, and from divulging any of the secrets or knowledge of the processes and methods employed by said company, be necessary to set forth in said suit what were the secret processes of said company.

And Whereas, Such action would be highly detrimental to the business of said company, said Freese hereby agrees in advance, that to prevent any such necessity, it shall be considered that the mere fact of his going to work for any person, firm or corporation engaged in a similar line of business to that of said company is a breach of his agreement made herein not to divulge any of the secrets of said company.

It is further mutually understood and agreed between the parties hereto that said company would not divulge any of its secrets to said Henry Freeze, or allow him to gain any knowledge of its processes and practices in its business as aforesaid, were it not for the faithful promise of said Henry Freese not to divulge the same.

(Signed) CHICAGO COLORTYPE COMPANY,
By J. H. BEHRENS, *Pres.*
HENRY FREESE.

32 EXHIBIT E.

B. J. Fierlein, President O. H. Quetsch, Vice President
W. J. Mass, Secretary J. O. M. Seibert, Treasurer.
CONTINENTAL COLORTYPE COMPANY (Incorporated)
High Art Color Printing,
Reproducing Pictures, Works of Art and all Kinds
Of Merchandise in Their Natural Colors By the
Three-Color Process.
Main Office & Works 126-132 Market Street,
Chicago,

Sole owners "Maas" process color plate making "Quetsch" register hook.

Long distance telephone Main 412.

ANNOUNCEMENT.

Recognizing the importance to the advertising community of the necessity for another concern capable of doing the highest class of color photography and printing of reproductions of art subjects and all kinds of merchandise, as well as the necessity for such work to be on a plant of excellence superior to anything now being done, we have gathered about us the best and most artistic talent in this particular field, and have organized the Continental Colortype Company, the officers of which consist of the oldest and most tried color man of this country, to-day.

Mr. Maas, who takes charge of our engraving department, until recently owned one of the oldest color plate-making establishments, and is the most scientific process plate-maker known to the advertising public. He is so well known that further mention of him is scarcely necessary.

Mr. Quetsch, who takes charge of our printing department, is too well known from his long experience as a color printer and manager of the printing department of the largest and most artistic establishment in our city, to require much mention; we will add, however, that he has had an experience of over fifteen years on the highest class of work done in this line.

Our equipment is the most perfect to be had—affording us the means of handling the largest possible volume of work. We are, in fact, prepared to take contracts of any size, guaranteeing prompt delivery, as well as having sufficient capital to carry into effect any requirements made of us.

We earnestly solicit your future consideration and assure you

that, if we win one of your orders, we will secure your approval to the extent of retaining you as our customer.

Thanking you in advance for any consideration you may give us, we are,

Yours respectfully,
CONTINENTAL COLORTYPE COMPANY.

(Endorsed) Filed July 23, 1902. Marshall E. Sampsell, Clerk.

And on to-wit: the 23rd day of July, 1902, a chancery subpoena issued out of the clerk's office of said Court, directed to the Marshal of said District to execute, which said subpoena together with the Memorandum thereto attached and the Marshal's return thereon endorsed is in the words and figures following to-wit:

33 United States of America,
Northern District of Illinois, } ss.
Northern Division.

Subpoena 23. *The United States of America, To Continental Colortype Company, a corporation, etc. William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch and J. O. M. Siebert, Greeting:*

We Command You and Every of You, That you appear before our Judges of our Circuit Court of the United States of America, for the Northern District of Illinois, at Chicago, in the Northern Division of said District, on the first Monday in the Month of September next, to answer the bill of complaint of American Colortype Company, this day filed in the Clerk's office of said Court, in said City of Chicago, then and there to receive and abide by such judgment and decree as shall then or thereafter be made, upon pain of judgment being pronounced against you by default.

To the Marshal of the Northern District of Illinois to Execute.

Witness the Hon. Melville W. Fuller, Chief Justice of the United States of America, at Chicago aforesaid, this 23rd day of July in the Year of our Lord one thousand nine hundred and two, and of our Independence the 127th year.

MARSHALL E. SAMPSELL,
Clerk.

[SEAL]

Memorandum.

The above named defendants are notified that unless they and each of them shall enter their appearance in the Clerk's office of said Court, at Chicago aforesaid, on or before the day to which the above Writ is returnable, the complainant's bill will be taken against them as confessed, and a decree entered accordingly.

MARSHALL E. SAMPSELL,
Clerk.

34 MARSHAL'S RETURN. Marsh filed 1902

This writ is returned unexecuted this 31st day of July, A. D. 1902, by order of the attorneys for complainant.

JOHN C. AMES,
U. S. Marshal.
By M. E. PATTERSON, *Deputy.*

(Endorsed) Filed July 31, 1902. Marshall E. Sampsell, Clerk.

35 And on the same day to-wit: the 23rd day of July, being one of the days of the regular July term of said Court, 1902, in the record of proceedings thereof in said entitled cause before the Hon. Christian C. Kohlsaat, District Judge, appears the following entry to-wit:

ORDER OF JULY 23, 1902. Order 1902

American Colortype Company,
vs.
Continental Colortype Company, *et al.* } 26385.

Now comes the complainant by its solicitors and enter its motion for a restraining order against the defendants herein. And thereupon it is Ordered that said motion be and the same is hereby postponed for hearing to the 24th inst, the complainant to give notice to said defendants of this motion.

36 And on to-wit: the 24th day of July, 1902, came the defendants in said entitled cause by their solicitors, Messrs Shope, Mathis, Zane & Weber, and filed in the clerk's office of said Court their demurrer in words and figures following to-wit:

Filed 1902.

DEMURRER.

IN THE CIRCUIT COURT OF THE UNITED STATES,

For the Northern District of Illinois,

Northern Division.

In Chancery.

No. 26,385

American Colortype Company,
vs.
Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, H. E. Schults, O. H. Quetsch and J. O. Seibert.

The Demurrer of the above named Defendants to the Bill of Complaint of the above named Complainant.

These defendants, by protestation, not confessing or acknowledging all or any of the matters or things in the said bill of complaint contained to be true, in such manner and form as the same are therein set forth and alleged, doth demurer to the said bill and for causes of demurrer showeth:

(1) That it appeareth by the complainant's own showing by the said bill that he is not entitled to the relief prayed by the bill against these defendants, or any of them;

(2) That it appears by the said bill that this court hath no jurisdiction of the subject matter of this suit, or of the parties to this suit;

Wherefore, and for divers other good causes of demurrer appearing on the said bill, these defendants pray the judgment of this Honorable Court whether the said complainant shall further
37 maintain his aforesaid suit against these defendants, and prays that the said bill of complaint may be dimissed.

SHOPE, MATHIS, ZANE & WEBER,
Solicitors for said defendants.

I hereby certify that the foregoing demurrer is, in my opinion, well founded in point of law.

JOHN M. ZANE,
Of counsel for said defendants.

State of Illinois } ss.
County of Cook. }

Baxter J. Fierlein, being duly sworn, deposes and says; I am one of the above named defendants, and the foregoing demurrer is not interposed for delay.

B. J. FIERLEIN,

Subscribed and sworn to before me this 25th day of July, A. D. 1902.

W. T. HAPEMALL,
Notary Public.

(Endorsed) Filed July 24, 1902, Marshall E. Sampsell, Clerk.

38 And on to-wit: the 24th day of July, being one of the days of the regular July term of said Court, 1902, in the record of proceedings thereof in said entitled cause before the Hon. Christian C. Kohlsaat, District Judge, appears the following entry to-wit:

ORDER OF JULY 24, 1902.

American Colortype Co.
vs. } 26385.
Continental Colortype Co.

Now come the parties by their solicitors and now comes on to be heard the motion of the complainant for a restraining order and the same being heard in part, is postponed until tomorrow morning.

39 And on to-wit: the 25th day of July, 1902, there was filed in the clerk's office of said Court in said entitled cause a certain opinion in words and figures following to-wit:

July

OPINION.

IN THE UNITED STATES CIRCUIT COURT

Northern District of Illinois,

Northern Division.

American Colortype Co.
v.
Continental Colortype Co. *et al.* } No. 26,385.

Kohlsaat, District Judge:—
Under the allegations and prayer of the bill in this case I am of the opinion that it falls within the prohibition contained in the Act of Aug. 13, 1888 (U. S. Stat. at Large 433) as construed by the federal courts. The motion for a preliminary injunction is denied and a demurrer will be sustained to the bill for lack of jurisdiction.

(Endorsed) Filed July 25, 1902, Marshall E. Sampsell, Clerk.

40 And on to-wit: the 25th dav of July, being one of the days of the regular July term of said Court, 1902, in the record of proceedings thereof in said entitled cause before the Hon. Christian C. Kohlsaat, District Judge, appears the following entry to-wit:

25, ning

ORDER OF JULY 25, 1902.

American Colortype Company,
vs.
Continental Colortype Company, *et al.* } 26385.

25. Now again come the parties by their solicitors and the Court having considered the demurrer to the bill herein and being now fully advised in the premises, sustains said demurrer, and the complainant being now ruled to amend its bill instanter, and failing and refusing so to do, elects to stand by its pleadings. And thereupon on motion of the defendants for judgment on said demurrer, It is Ordered that said bill of complaint be and the same is hereby dismissed for want of jurisdiction at the costs of the complainant and that the defendants have execution therefor. And thereupon the complainant enters its motion for an appeal to the United States

Circuit Court of Appeals for this Circuit and the Court fixes the penalty of the appeal bond at the sum of two hundred and fifty dollars.

41 And on to-wit: the 30th day of July, 1902, came the complainant in said entitled cause by its solicitors and filed in the clerk's office of said Court its petition for appeal in words and figures following to-wit:

42 PETITION FOR APPEAL.

IN THE CIRCUIT COURT OF THE UNITED STATES

Northern District of Illinois

Northern Division.

American Colortype Company
vs.
Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch and J. O. M. Seibert. } In Chancery.

Now comes the complainant, American Colortype Company, and feeling itself aggrieved by the order and decree herein entered on July 25th, 1902, dismissing this bill of complaint at complainant's costs, respectfully prays an appeal from said decree to the United States Circuit Court of Appeals for the Seventh Circuit, and states that its reasons for said appeal are specified in the assignment of errors filed herewith, and prays that this appeal may be allowed and that a transcript of the record, proceedings and papers upon which said decree was made, duly authenticated and certified by the clerk of this court, may be sent to said United States Circuit Court of Appeals, pursuant to the statute in such case made, and the practice of such court and the rules of this court.

Dated July 25th, 1902.

AMERICAN COLORTYE COMPANY,
By LACKNER, BUTZ & MILLER,
Solicitors for the complainant American Colortype Company.

(Endorsed) Filed July 30, 1902, Marshall E. Sampsell, Clerk.

And on the same day to-wit: the 30th day of July, 1902, came the complainant in said entitled cause by its solicitors and filed in the clerk's office of said Court its assignment of errors in words and figures following to-wit:

July 43

ASSIGNMENT OF ERRORS.

IN THE CIRCUIT COURT OF THE UNITED STATES

Northern District of Illinois

Northern Division.

American Colortype Company
vs.
Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch and J. O. M. Seibert.

Now on this 30th day of July, 1902, comes the complainant American Colortype Company, and files herein the following assignment of errors upon which it will rely upon its appeal from the decree made and entered herein by this honorable court on the 25th day of July, 1902, dismissing the bill of complaint herein at complainant's costs.

1. The said Circuit Court of the United States erred in dismissing the bill of complaint herein at complainant's costs.

2. The said Circuit Court erred in dismissing the bill of complaint herein for want of jurisdiction.

3. The said Circuit Court erred in sustaining the demurrer of the defendants to the bill of complaint herein.

4. The said Circuit Court erred in not overruling the demurrer of the defendants to the bill of complaint herein.

5. The said Circuit Court erred in not overruling the demurrer of the defendants to the bill of complaint herein and in not thereupon entering a decree enjoining the defendants and each of them as prayed in the bill of complaint.

6. The said Circuit Court erred in not granting to the complainant the relief prayed for in the bill of complaint.

Wherefore, the said American Colortype Company, complainant in this suit, prays that said decree may be reversed and that the said Circuit Court of the United States may be directed to enter a de-
44 cree overruling the demurrer of the defendants, and awarding the complainant a temporary injunction as prayed in the bill of

complaint until the final hearing of the cause, and directing the defendants to answer the bill of complainant.

AMERICAN COLORTYPE COMPANY,
Complainant.

By LACKNER, BUTZ & MILLER,
Solicitors for Complainant American Colortype Company.

(Endorsed) Filed July 30, 1902, Marshall E. Sampsell, Clerk.

And on the same day to-wit: the 30th day of July, being one of the days of the regular days of the July term of said Court, 1902, in the record of proceedings thereof in said entitled cause before the Hon. Christian C. Kohlsaat, District Judge, appears the following entry to-wit:

45 ORDER OF JULY 30, 1902, ALLOWING APPEAL.

Order o
1902
appe

IN THE CIRCUIT COURT OF THE UNITED STATES

Northern District of Illinois

Northern Division.

American Colortype Company
vs.
Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch and J. O. M. Seibert. } In Chancery.

Upon reading the petition of the American Colortype Company in the above entitled cause, by its solicitors, Lackner, Butz & Miller, this day filed herein, for an order allowing the appeal of the complainant from the decree heretofore, on July 25th, 1902, entered herein, dismissing the bill of complaint at complainant's costs, and upon reading the assignment of errors of said American Colortype Company this day filed herein with its said petition:

It is ordered that the appeal of said American Colortype Company, complainant, from the final decree made and entered herein on July 25th, 1902, dismissing the bill of complaint at complainant's costs, be and the same is hereby allowed to said American Colortype Company, complainant, to the United States Circuit Court of Ap-

peals for the Seventh Circuit, in accordance with the prayer of said petition, upon the complaint filing herein an appeal bond in the sum of Two Hundred and Fifty Dollars on or before September 1st, 1902, and that a certified copy of the record and the proceedings herein upon which said final decree was entered be forthwith transmitted to said United States Circuit Court of Appeals for the Seventh Circuit.

46 And on to-wit: the 30th day of July, 1902, came the complainant in said entitled cause and filed in the clerk's office of said Court a certain appeal bond in words and figures following to-wit:

eal, 30,

47 Know all Men by these Presents, That we, American Colortype Company, as principal, and John H. Behrens, as surety, are held and firmly bound unto Continental Colortype Company, William J. Maas, Baxter, J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch and J. O. M. Seibert, in the full and just sum of two hundred and fifty dollars to be paid to the said Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch, and J. O. M. Seibert, and to their certain attorney, executors, administrators, or assigns; to which payment, well and truly to be made, we bind ourselves, our heirs, executors and administrators, jointly and severally, by these presents. Sealed with our seals and dated this 29th day of July in the year of our Lord one thousand nine hundred and two.

Whereas, lately at a certain day of the July term 1902 of the Circuit Court of the United States for the Northern District of Illinois Northern Division in a suit depending in said Court, between said American Colortype Company as complainant and said Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch, and J. O. M. Seibert, as defendants a decree was rendered against the said American Colortype Company complainant dismissing the bill of complaint at complainant's costs and the said American Colortype Company, complainant having obtained an appeal and filed a copy thereof in the Clerk's Office of the said Court to reverse the decree in the aforesaid suit, and a citation directed to the said Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch, and J. O. M. Seibert, citing and admonishing them to be and appear at a United

States Circuit Court of Appeals, for the Seventh Circuit, to be holden at Chicago within 30 days from the date hereof.

Now, the condition of the above obligation is such, That if the said American Colortype Company shall prosecute its appeal to effect, and answer all damages and costs if it fail to make its plea good, then the above obligation to be void; else to remain in full force and virtue.

Sealed and delivered
in presence of—

AMERICAN COLORTYPE COMPANY [SEAL]
By J. H. BEHRENS, *Treasurer* [SEAL]
JOHN H. BEHRENS [SEAL]

Approved July 30/02
KOHLSAAT, *J.*

(Endorsed) Filed July 30, 1902, Marshall E. Sampsell, Clerk.

CIRCUIT COURT OF THE UNITED STATES,

Northern District of Illinois

Northern Division.

American Colortype Company,
vs.
Continental Colortype Company, *et al.* } 26385.

To the Clerk of the above entitled Court:

You will please prepare transcript of the record in this cause to be filed in the office of the clerk of the United States Circuit Court of Appeals for the Seventh Judicial Circuit, under the appeal heretofore perfected to said Court and include in the said transcript the following pleadings, pleadings, proceedings and papers on file to-wit:

Bond for Costs,
Bill of Complaint.
Subpœna and Return,
Order of July 23, 1902,
Demurrer,
Order of July 24, 1902,
Opinion,
Order of July 25, 1902,
Petition for Appeal,
Assignment of Errors,

Order of July 30, 1902, Allowing Appeal,
Appeal Bond,
Clerk's certificate,
Citation,

Said transcript to be prepared as required by law and the rules of this Court and the rules of the United States Circuit Court of Appeals for the Seventh Circuit and on file in the office of the clerk of the said Circuit Court of Appeals at Chicago, before August 29th, 1902.

LACKNER, BUTZ & MILLER,
Attorneys for Appellant.

(Endorsed) Filed August 1 1902, Marshall E. Sampsell, Clerk.

48 Northern District of Illinois, } ss.
Northern Division, }

clerk. I, Marshall E. Sampsell, Clerk of the Circuit Court of the United States for said Northern District of Illinois, do hereby certify the above and foregoing to be a true and complete transcript of the proceedings had of record in said Court and made in accordance with the praecipe filed in the cause entitled American Colortype Company, vs. Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch and J. O. M. Siebert, as the same appear from the original files and records of said Court now remaining in my custody and control.

In Testimony Whereof, I have hereunto set my hand and affixed the seal of said Court at my office in the City of Chicago, in said District, this first day of August, 1902.

MARSHALL E. SAMPSELL,
Clerk.

[SEAL]

49 UNITED STATES OF AMERICA, } ss.

The President of the United States, To Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch, J. O. M. Siebert, Greeting: Citatio

You are hereby cited and admonished to be and appear at a United States Circuit Court of Appeals, for the Seventh Circuit, to be holden at Chicago, within thirty days from the date hereof, pursuant to an appeal allowed by the Circuit Court of the United States for the Northern District of Illinois, Northern Division, wherein American Colortype Company is appellant and you are appellees, to show cause, if any there be, why the decree rendered against the said appellant should not be corrected and why speedy justice should not be done to the parties in that behalf

Witness the Honorable Christian C. Kohlsaat Judge of the Circuit Court of the United States, this thirtieth day of July, in the year of our Lord one thousand nine hundred and two.

KOHLSAAT,
Judge.

(Endorsed) Filed Jul 30 1902 Marshall E. Sampsell, Clerk.

Service of above citation is acknowledged this 30th day of July, 1902.

SHOPE, MATHIS, ZANE & WEBER,
Attorneys for Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch, J. O. M. Seibert, Defendants.

(Endorsed) Filed Jul 30 1902 Marshall E. Sampsell, Clerk.

50 Be it remembered that on September third, in the year of our Lord, one thousand nine hundred and two and of the Independence of the United States the one hundred and twenty-seventh, the complainant, The American Colortype Company, by its solicitors, filed a certified copy of the order of the United States circuit court of appeals for the seventh circuit, in the case of American Colortype Company *vs.* Continental Colortype Company, William J. Mass, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch and J. O. M. Seibert, in the words and figures following, to wit:

Order of August 28, 1902.

THURSDAY, *August* 28, 1902.

Before Hon. James G. Jenkins, presiding judge.

AMERICAN COLORTYPE COMPANY, Appellant,
vs.
CONTINENTAL COLORTYPE COMPANY ET AL. } 923.

Appeal from the circuit court of the United States for the northern district of Illinois, northern division.

This cause coming on to be heard upon the motion of the appellant, American Colortype Company, to dismiss the appeal taken to this court in this cause from the circuit court of the United States for the northern district of Illinois, and the further motion of said appellant for leave to withdraw the record filed herein from and out of this court and for leave to refile in the Supreme Court of the United States said record as supplemented by the record of any further proceedings in this court in this cause and any further proceedings in the circuit court of the United States for the northern district of Illinois in said cause; on consideration of said motion, it is ordered, adjudged and decreed by the court that the said appeal taken to this court in this cause from the circuit court of the United States for the northern district of Illinois, be and the same is
51 hereby dismissed at appellant's costs. It is further ordered, adjudged and decreed by the court that the said motion of appellant for leave to withdraw the record as aforesaid, and for leave to refile the same as aforesaid, be and the same is hereby allowed.

United States Circuit Court of Appeals for the Seventh Circuit.

I, Edward M. Holloway, clerk of the United States circuit court of appeals for the seventh circuit, do hereby certify that the foregoing page contain- a true copy of the order of the United States circuit court of appeals for the seventh circuit entered on the twenty-eighth day of August, A. D. one thousand nine hundred and two, in the case of American Colortype Company *vs.* Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch and J. O. M. Seibert, No. 923, October

term, 1901, as the same remains upon the files and records of the United States circuit court of appeals for the seventh circuit.

In testimony whereof I hereunto subscribe my name and affix the seal of said United States circuit court of appeals for the [SEAL.] seventh circuit, at the city of Chicago, this second day of September, A. D. 1902.

EDWARD M. HOLLOWAY.
Clerk of the United States Circuit Court of Appeals for the Seventh Circuit.

Filed Sep. 3, 1902.

MARSHALL E. SAMPSELL, *Clerk.*

52 And on the same day, to wit: September 3, 1902, the said complainant, by its solicitors, filed in the clerk's office of said court its certificate of question of jurisdiction, signed by the Hon. Christian C. Kohlsaat, trial judge, in words and figures following, to wit:

53 Gen. No., 26385.

In the Circuit Court of the United States, Northern District of Illinois, Northern Division.

AMERICAN COLORTYPE COMPANY
vs.
CONTINENTAL COLORTYPE COMPANY, WILLIAM J. MAAS, BAXTER J. FIERLEIN, HENRY FREESE, HENRY E. SCHULTZ, O. H. QUETSCH, and J. O. M. SEIBERT.

Certificate of Question of Jurisdiction.

This was a suit brought by the American Colortype Company, a New Jersey corporation, against Continental Colortype Company, William J. Maas and others, citizens of Illinois.

The prayer of the bill is for a restraining order and an injunction against the defendants and that the same on final hearing be made perpetual, and there is a prayer for general relief.

All of the defendants filed a demurrer to the said bill of complaint; the causes of demurrer thereby shown were:

1st. That by the complainant's own showing by the said bill it was not entitled to the relief prayed by the bill against the defendants or any of them.

2nd. That it appeared by the said bill that this court had not jurisdiction of the subject-matter of this suit or of the parties to this suit.

This court did not adjudicate the merits of said controversy, but sustained said demurrer upon the second cause of demurrer above shown, and on the 25th day of July, 1902, one of the days of the July term, 1902, of said court, entered its decree in this case, dismissing said bill of complaint for want of jurisdiction at the costs of the complainant.

54 The court doth hereby certify to the Supreme Court of the United States that this court held that it had no jurisdiction

of the subject-matter of this suit or of this controversy and dismissed the said bill of complaint for want of jurisdiction as aforesaid, solely because it held that this case falls within the prohibition contained in the act of August 13, 1888, (25 U. S. Stat. L. 433) (supplement to Rev. Stat. U. S., 1874–1891, page 612) and of that portion of section one of said act reading as follows, to wit:

"Nor shall any circuit or district court have cognizance of any "suit, except upon foreign bills of exchange, to recover the contents "of any promissory note or other chose in action in favor of any "assignee, or of any subsequent holder if such instrument be pay- "able to bearer and be not made by any corporation, unless such suit "might have been prosecuted in such court to recover the said con- "tents if no assignment or transfer had been made."

The court further hereby certifies said question of jurisdiction alone to the said Supreme Court of the United States, and this certificate is granted for the purpose of enabling said Supreme Court of the United States to review said question of jurisdiction hereinabove specified.

Certified to by the Honorable Christian C. Kohlsaat, judge of the said district court of the United States, this third day of September, 1902, being one of the days of the July term, 1902, of said court.

KOHLSAAT, *Judge.* [SEAL.]

(Endorsed:) Filed Sep. 3, 1902, Marshall E. Sampsell, clerk.

55 And on the same day, to wit: September 3, 1902, the said complainant, by its solicitors, filed in the clerk's office of said court its petition for appeal, in words and figures following, to wit:

56 Gen. No., 26385.

In the Circuit Court of the United States, Northern District of Illinois, Northern Division.

AMERICAN COLORTYPE COMPANY
vs.
CONTINENTAL COLORTYPE COMPANY, WILLIAM J. MAAS, BAXTER J. FIERLEIN, HENRY FREESE, HENRY E. SCHULTZ, O. H. QUETSCH, and J. O. M. SEIBERT.

Petition for Appeal.

Now comes the complainant, American Colortype Company, and represents to the court that on the 25th day of July, 1902, this court entered its final decree in this cause, dismissing the bill of complaint herein for want of jurisdiction at the costs of complainant; and your petitioner further shows that the ground of the said judgment and decree of said court was that this court held that it had no jurisdiction of this case, because this case fell within the prohibition of the fourth paragraph of section one of the act of August 13, 1888; (25 U. S. Stat. L. 433) (supplement to Rev. Stat. U. S. 1874–1891, page 612).

Your petitioner further shows that said petitioner believing that the court erred in holding that this case falls within the prohibition of said statute, and feeling itself aggrieved by the order and decree herein entered on July 25, 1902, dismissing said bill of complaint at complainant's costs for want of jurisdiction, respectfully prays an appeal from said decree to the Supreme Court of the United States upon the said question of jurisdiction, and states that its reasons for said appeal are specified in the assignment of errors filed herein, and

57 prays the court to certify the said question of jurisdiction to the Supreme Court of the United States, as provided by law, and prays that this appeal may be allowed solely upon said question of jurisdiction, and that a transcript of the record, proceedings and papers in this cause upon which said decree was made, and of the proceedings on this appeal, or such portion thereof as may be necessary for a review of said decree upon said question of jurisdiction, duly authenticated and certified by the clerk of this court, may be sent to said Supreme Court of the United States, pursuant to the statutes in such case made and the rules and practice of said court and of this court.

Dated, September 3, 1902.

AMERICAN COLORTYPE COMPANY,
Complainant,
By LACKNER, BUTZ & MILLER,
Solicitors for Complainant.

(Endorsed:) Filed Sept. 3, 1902, Marshall E. Sampsell, clerk.

58 And on the same day, to wit: September 3, 1902, the said complainant, by its solicitors, filed in the clerk's office of said court its assignment of errors, in words and figures following, to wit:

59 Gen. No., 26385.

In the Circuit Court of the United States, Northern District of Illinois, Northern Division.

AMERICAN COLORTYPE COMPANY
vs.
CONTINENTAL COLORTYPE COMPANY, WILLIAM J. MAAS, BAXTER J. FIERLEIN, HENRY FREESE, HENRY E. SCHULTZ, O. H. QUETSCH, and J. O. M. SEIBERT.

Assignment of Errors.

Now on this 3rd day of September, 1902, comes the complainant, American Colortype Company, and files herein the following assignment of errors, upon which it will rely upon its appeal to the Supreme Court of the United States from the decree made and entered herein by this honorable court on the 25th day of July, 1902, dismissing the bill of complaint herein at complainant's costs for want of jurisdiction:

I. The said circuit court of the United States erred in dismissing

the bill of complaint herein at complainant's costs for want of jurisdiction.

II. The said circuit court erred in sustaining the demurrer of the defendants herein to the bill of complaint upon the ground that the said court had no jurisdiction of the subject-matter of this suit or of the parties to this suit.

III. The said circuit court erred in not holding that said ground of demurrer, being the second cause of demurrer shown in said demurrer of the defendants so filed herein, was not well taken and in not overruling said demurrer as to said second cause of demurrer.

IV. The said circuit court erred in holding, as it did hold, that this case and the bill of complaint fall within the prohibition
60 contained in the act of August 13, 1888. (25 U. S. Stat. L. 433), (supplement to Rev. Stat. U. S. 1874–1891, page 611).

V. The said circuit court erred in holding, as it did hold, that this case and the bill of complaint in this case fall within the prohibition contained in the act of August 13, 1888, (25 U. S. Stat. L. 433) (supplement to Rev. Stat. U. S. 1874–1891, page 611) and more particularly specified as that portion of said act shown in the fourth paragraph of the first section of said act and contained on page 612 of said supplement to the Revised Statutes of the United States.

VI. The said circuit court erred in not holding that the said circuit court had jurisdiction of the subject-matter of this suit and of the parties to this suit, notwithstanding the said act of August 13, 1888, and notwithstanding the said fourth paragraph of the first section of said act.

Wherefore the said American Colortype Company, complainant, prays that the said decree of the said circuit court of the United States may be reversed and this cause remanded by said Supreme Court to the said circuit court of the United States for further proceedings to be there taken in pursuance of such determination.

AMERICAN COLORTYPE COMPANY,
Complainant,
By LACKNER, BUTZ & MILLER,
Solicitors for said Complainant.

(Endorsed:) Filed Sept. 3, 1902. Marshall E. Sampsell, clerk.

61 And on the same day, to wit: the 3rd day of September, being one of the days of the regular July term of said court, 1902, in the record of the proceedings thereof, in said entitled cause, before the Hon. Christian C. Kohlsaat, district judge, appears the following entry to wit:

62

AMERICAN COLORTYPE COMPANY *vs.* CONTINENTAL COLORTYPE COMPANY, WILLIAM J. MAAS, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch, and J. O. M. Seibert.	26385.

Upon reading the petition, this day filed herein, of the complainant, American Colortype Company, by its solicitors, Lackner, Butz

& Miller, for an order allowing the appeal of the complainant from the decree heretofore and on July 25th, 1902, entered herein, dismissing the bill of complaint at complainant's costs for want of jurisdiction, and this court having duly certified the question of jurisdiction herein to the Supreme Court of the United States, as provided by law, and said certificate being duly filed in this cause, and upon reading the assignment of errors of said American Colortype Company, this day filed herein with its said petition, and it duly appearing to the court that the appeal heretofore taken in this cause from said decree to the circuit court of appeals for the seventh circuit has been dismissed from and out of said court, and counsel for said defendants being now here in open court:

It is ordered and decreed that the appeal of the said complainant, American Colortype Company, from the final decree made and entered herein on July 25th, 1902, dismissing the bill of complaint herein at complainant's costs, for want of jurisdiction, be and the same is hereby allowed to the said American Colortype Company, complainant, to the Supreme Court of the United States, in accordance with the prayer of said petition, upon the said complainant filing herein an appeal bond in the sum of two hundred and fifty dollars on or before September 3rd, 1902, and that such appeal be allowed solely on the question of jurisdiction, and that a certified copy of the record and proceedings herein, upon which said
63 final decree was entered and of the record and proceedings herein pertaining to said appeal be forthwith transmitted to said Supreme Court of the United States.

64 And on the same day, to wit: September 3, 1902, the said complainant, by its solicitors, filed in the clerk's office of said court its bond on appeal, in words and figures following, to wit:

65 Know all men by these presents, that we, American Colortype Company, a corporation, as principal, and John H. Behrens, as surety, are held and firmly bound unto Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch and J. O. M. Seibert, in the full and just sum of two hundred and fifty dollars to be paid to the said Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch, and J. O. M. Seibert and to their certain attorney, executors, administrators, or assigns; to which payment, well and truly to be made, we bind ourselves, our heirs, executors and administrators, jointly and severally, by these presents.

Sealed with our seals and dated this 3rd day of September in the year of our Lord one thousand nine hundred and two.

Whereas, lately at a certain day of the July term 1902, of the circuit court of the United States for the northern district of Illinois, northern division, to wit: on the 25th day of July, 1902 in a suit depending in said court, between said American Colortype Company, as complainant and said Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E.

Schultz, O. H. Quetsch and J. O. M. Seibert, as defendants a decree was rendered against the said American Colortype Company complainant, dismissing the bill of complaint at complainant's costs for want of jurisdiction and the said American Colortype Company, complainant having obtained an appeal and filed a copy thereof in the clerk's office of the said court to reverse the said decree in the aforesaid suit, and a citation directed to the said Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch, and J. O. M. Seibert, citing and admonishing them to be and appear at a Supreme Court of the United States, to be holden at Washington within 30 days from the date thereof,

Now, the condition of the above obligation is such, that if the said American Colortype Company shall prosecute its appeal to effect, and answer all damages and costs if it fail to make its plea good, then the above obligation to be void; else to remain in full force and virtue.

AMERICAN COLORTYPE COMPANY, [SEAL.]
By JOHN H. BEHRENS, *Treas.* [SEAL.]
JOHN H. BEHRENS. [SEAL.]

Sealed and delivered in presence of—

—— ——.

Approved Sep. 3, 1902
KOHLSAAT, *J.*

(Endorsed:) Filed Sep. 3, 1902, Marshall E. Sampsell, clerk.

66 NORTHERN DISTRICT OF ILLINOIS, } *ss:*
Northern Division, }

I, Marshall E. Sampsell, clerk of the circuit court of the United States for said northern district of Illinois, do hereby certify the above and foregoing to be a true and complete transcript of all proceedings had of record in said court, in the cause entitled American Colortype Company *vs.* Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch and J. O. M. Siebert, as the same appear from the original files and records of said court, now remaining in my custody and control.

Seal of Circuit Court U. S., Northern Dist. Illinois, 1855.

In testimony whereof, I have hereunto set my hand and affixed the seal of said court at my office in the city of Chicago, in said district, this 10th day of September, 1902.

MARSHALL E. SAMPSELL, *Clerk.*

67 UNITED STATES OF AMERICA, *ss:*

The President of the United States to Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch, and J. O. M. Seibert, Greeting:

You are hereby cited and admonished to be and appear at a Supreme Court of the United States, at Washington, within 30 days from the date hereof, pursuant to an appeal allowed by the circuit court of the United States for the northern district of Illinois, northern division wherein American Colortype Company is appellant and you are appellees, to show cause, if any there be, why the decree rendered against the said appellant should not be corrected, and why speedy justice should not be done to the parties in that behalf.

Witness, the Honorable Christian C. Kohlsaat judge of the district court of the United States this 3rd day of September, in the year of our Lord one thousand nine hundred and two.

KOHLSAAT, *Judge.*

Service of above citation is acknowledged this 3rd day of September 1902.

SHOPE, MATHIS, ZANE & URBER,
Solicitors and of Counsel for Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch, and J. O. M. Seibert, Appellees.

[Endorsed:] No.— Supreme Court of the United States American Colortype Company *vs.* Continental Colortype Company *et al.* Citation to the Supreme Court of the United States Filed Sep 3 1902 Marshall E. Sampsell, clerk.

Endorsed on cover: File No. 18,668. N. Illinois C. C. U. S. Term No. 440. American Colortype Company, appellant, *vs.* Continental Colortype Company, William J. Maas, Baxter J. Fierlein, *et al.* Filed September 22d, 1902.

Office Supreme Court U.S.
FILED
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JAMES H. McKENNEY,
Clerk.

No. 440.

Motion to Advance.

IN THE

Supreme Court of the United States.

OCTOBER TERM, 1902.

No. 440.

AMERICAN COLORTYPE COMPANY,
Appellant,
vs.
CONTINENTAL COLORTYPE COMPANY, WILLIAM J. MAAS, BAXTER J. FIERLEIN, HENRY FREESE, HENRY E. SCHULTZ, O. H. QUETSCH and J. O. M. SEIBERT,

Appeal from the Circuit Court of the United States for the Northern District of Illinois.

MOTION TO ADVANCE CAUSE.

A. M. PENCE,
Solicitor for Appellant, American Colortype Company.

The Gunthorp-Warren Printing Company, 116-118 Randolph St., Chicago.

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18668.

IN THE

Supreme Court of the United States.

OCTOBER TERM, 1902.

No. 440.

AMERICAN COLORTYPE COMPANY, *Appellant,* vs. CONTINENTAL COLORTYPE COMPANY, WILLIAM J. MAAS, BAXTER J. FIERLEIN, HENRY FREESE, HENRY E. SCHULTZ, O. H. QUETSCH and J. O. M. SEIBERT,	Appeal from the Circuit Court of the United States for the Northern District of Illinois.

MOTION TO ADVANCE CAUSE.

Now comes the appellant, by its counsel, and moves the Court to advance this cause under Rule 32 of this Court providing that cases brought to this Court by appeal under section 5 of the Act of March 3, 1891, chapter 517, where the only question in issue is the question of the jurisdiction of the Court below, "will be advanced on motion and heard under the rules prescribed by Rule 6 in regard to motions to dismiss writs of error and appeal."

In support of which motion, appellant refers to the following:

First. Opinion of the Circuit Court (page 30 printed

record) wherein it is stated that the demurrer to the bill is sustained for lack of jurisdiction.

Second. Order of the Circuit Court (page 30 printed record) dismissing the bill for want of jurisdiction.

Third. Certificate of question of jurisdiction by the said Circuit Court certifying the question of the jurisdiction alone to the Supreme Court of the United States in accordance with section 5 of the Act of March 3, 1891, chapter 517, and stating (printed record page 40) that "this certificate is granted for the purpose of enabling the said Supreme Court of the United States to review said question of jurisdiction hereinabove specified."

A. M. PENCE,
Solicitor for appellant,
American Colortype Company.

Office Supreme Court, U.S.
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SUPREME COURT OF THE UNITED STATES

BRIEF AND ARGUMENT OF APPELLANT

E. M. PENICK

JACKNER, BUTZ & MILLER

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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1902.

No. 440.

AMERICAN COLORTYPE COMPANY, *Appellant*, vs. CONTINENTAL COLORTYPE COMPANY, WILLIAM J. MAAS, BAXTER J. FIERLEIN, HENRY FREESE, HENRY E. SCHULTZ, O. H. QUETSCH, and J. O. M. SEIBERT, *Appellees.*	Appeal from the Circuit Court of the United States for the Northern District of Illinois, Northern Division.

STATEMENT OF THE CASE.

This is an appeal from an order of the Circuit Court of the United States for the Northern District of Illinois, dismissing for want of jurisdiction a bill of complaint filed by the appellant against the appellees.

The bill of complaint asked for an injunction against the appellees restraining a part of them from engaging in the business of making and selling colortype plates or three-color plates and printing and selling pictures made therefrom and restraining the others from using in any such business any information relating thereto and obtained from the defendants who were formerly in appellant's employ. A motion for a preliminary restraining order was made by

complainant and argued before the Circuit Court. Upon the argument the defendants filed a demurrer, and the court, having heard arguments upon both sides of the controversy, denied the motion for a temporary restraining order, sustained the demurrer to the bill of complaint and dismissed the suit for want of jurisdiction. From this order dismissing the suit at complainant's costs, for want of jurisdiction, the complainant appeals and assigns as error the action of the court sustaining the demurrer of the defendants to the bill of complaint and dismissing the suit.

The verified bill of complaint is shown upon pages 3 to 25 of the record, and shows the following facts:

The complainant, American Colortype Company, is a New Jersey corporation, organized about March 1, 1902. It is the result of a consolidation of three other corporations, two of which were organized under the laws of Illinois, and were engaged in the manufacture of colortype or three-color plates, and in printing and selling pictures made therefrom, and the third, a corporation organized under the laws of New Jersey, engaged in the manufacture and sale of calendar backs. The two Illinois corporations were the National Colortype Company and the American Three-color Company, both doing business and having their principal offices in Chicago. The New Jersey corporation was the Osborne Company.

This three-color process, or colortype process, is a process whereby exact reproductions of paintings are by skillful manipulation produced by means of three-color plates.

The pictures are made by successively impressing three plates upon exactly the same surface, each of said plates applying to the surface, in varying intensities, one of the three primary colors, by a combination of which all other colors are produced. These

three plates are each made by photographing the original painting through a liquid screen, which absorbs all the rays except those of the one primary color which the particular plate to be made from this negative is to print. From the negative thus produced is made a plate which will print one of the three primary colors with such varying intensity that when combined with certain proportions of the other two primary colors, will give each color and shade appearing upon the original painting. The other two primary colors, in their proper intensities, are furnished by the other two plates. (For the information of the court the process is described above with somewhat more of detail than in the bill.)

While the above facts and sufficient details of the process to permit the production of indifferently executed three-color pictures is known to all those who have cared to make a study of the subject, yet the successful and accurate reproduction of paintings so as to approximate, and in many instances actually accomplish, the perfection of the beauty of the original, requires not only great skill in conducting each separate step of the process, but it also requires the knowledge of secret means of handling the materials, machinery and equipments. (Rec., 13.) These secrets were discovered partly by the officers and employes of the complainant since its organization, and partly by the officers and employes of the complainant's constituent companies, prior to the organization of the complainant. (Rec., 8 to 10.) There are few concerns aside from the complainant which are producing pictures by this process; but that product is confined principally to a cheaper class of work, and they are not, nor is any one of them capable, of producing work of the high degree of perfection attained by the complainant, whose predecessors were pioneers in the business. (Rec., 13.)

The knowledge possessed by the complainant's officers and employes, of these secret methods of conducting the several steps in this process, and a knowledge of certain machinery and appliances, the use of which has been known only to them, and their skill in manipulating the same, have constituted an important and very valuable asset of the complainant, and of its constituent companies. (Rec., 13.) Such has been the value placed upon these secrets by the complainant and its predecessors, that they have uniformly taken unto their employ for the purpose of conducting the several steps in the production of three-color plates, only such persons as would agree to remain in the employ of complainant and its predecessors, for a term of years, and further agree not to divulge the aforesaid secrets and not to work for or become connected with, or in any manner, aid or assist any other person, firm or corporation, engaged in a similar business. (Rec., 13.)

In November, 1901, about two and one-half months before the making of the agreement by complainant's three constituent companies to consolidate their business, and about three months before the actual consummation of the project, the defendants Maas and Fierlein, who up to that time had been engaged in Chicago in the business of producing three-color plates, sold out their business to the National Colortype Company, one of complainant's constituent companies, for the sum of eighty-four hundred dollars, which was paid partly in cash and partly in notes. As a part of the same agreement Maas entered into a contract of employment with said National Colortype Company for the term of five years from December 1, 1901; and Fierlein the other partner entered into a contract of employment for two years from the same date, with another of complainant's constituent companies, the American Three-color

Company of Chicago, who for the purpose of procuring Fierlein's services, furnished a portion of the $8,400 which the National Colortype Company paid Maas and Fierlein for their business. (Rec., 4–6.)

The above transaction was evidenced by three written contracts: one a bill of sale from Maas and Fierlein to the National Colortype Company, another the five year contract of service between Maas and the National Colortype Company, and the third, a two years contract of service, between Fierlein and the American Three-color Company. (Rec., 19–23.)

The bill of sale recited that as a part of the purchase of the assets and business of Maas and Fierlein, Maas should enter into the five year contract with the National Colortype Company, and Fierlein should enter into the two year contract with the American Three-color Company.

The contract between Maas and the National Colortype Company was made on the same day, and provided that Maas should remain in the employ of said Company for five years, as superintendent of its plate making department, at the salary of fifty dollars per week, while his services should be required in Chicago, and $60 per week if he should be required to work in New York or elsewhere outside of Chicago; that Maas should give his whole time and attention to that business and faithfully discharge his duties under the reasonable rules and regulations of the said Company, and that he (Maas) would not, during that five years, accept employment in any capacity with any person or corporation engaged in the three-color printing business; and that Maas should not, for ten years after December 1, 1901, in any of the states or territories of the United States, east of the Rocky Mountains, be interested in, as owner, stockholder,

employer, employe or otherwise, in three-color printing business or other business doing a similar class of work to said Company, and that Maas should not during such period, divulge to any person, any secrets or processes relating to the business of three-color printing, of which he was then possessed, or which he might learn during his term of employment, and that he should not during that period teach such process to any person whomsoever; and the contract recited that it was a part of the consideration of the agreement of the purchase of the business of Maas and Fierlein, that Maas should comply with these conditions.

The third contract, between Fierlein and the American Three-color Company, recited that Fierlein should enter the employ of that company as a salesman at $50 per week, if required to work in Chicago, and $60 per week if required to work in New York. It further provided that the said Fierlein should devote his whole time and attention to the interests and business of the said American Three-color Company and should perform faithfully the duties of his employment, under the reasonable rules and regulations of the said company.

Fierlein had been the business manager and the manager of the sales department of the partnership consisting of himself and Maas, and, as such, was acquainted with the customers and was experienced in the means and methods for securing this particular class of work. Maas had been the practical operator of the plant and as such had attained a certain degree of skill and knowledge in the making of three-color plates. Upon the consummation of this deal Maas entered the works of the National Colortype Company and as speedily as practicable was instructed in the secret methods, processes and appliances of that company, which secrets he would never have secured but for the reliance of

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the company upon his supposed honesty. Fierlein at the same time assumed his duties as salesman for the American Three-color Company, and that company, in reliance upon his supposed trustworthiness, gave him free access, as it must have done, in order to avail itself of his services, to the lists of its customers and its estimates on three-color work for various prospective customers. These lists and estimates were kept secret by that company, and were of great value to it when so kept secret, as a means to the securing of extensive business. (Rec., 7–13.)

About February 15th following, after these two defendants had been in the employ of their new employers for about two and one-half months, an agreement was made by these two companies and the Osborne Company of New Jersey to consolidate their assets and business under the name of the American Colortype Company, and, pursuant to that agreement, the complainant corporation was formed and all the assets, including the above mentioned contracts, together with the good will of the three constituent companies, were transferred to the complainant corporation.

During the progress of this consolidation, the defendant Maas as well as the defendant Freese and Schultz, who will be hereinafter mentioned, were cognizant thereof and gave their full assent thereto. Not only did they, or either of them, fail to indicate any dissatisfaction with the new order of affairs, but they all, with full knowledge of these conditions, continued to occupy their respective positions with the consolidated company, just as they had with the constituent companies, doing the same work under the same conditions and drawing the same salaries, but these defendants, also, by positive acts recognized and accepted the complainant as their employer under their several contracts by virtue of which they had before been working,

and assented to the substitution of the complainant as their employer, and as a party to their several contracts, in lieu of the constituent companies for whom they had been working. (Rec., 8–10.)

The complainant, also, relying upon the supposed honesty of these defendants, and upon their announced intention of carrying out these contracts with the complainant as their employer, instructed the defendant Maas in secret methods, processes and manipulations, in addition to which he had before learned, and of which he had no knowledge when the complainant company was formed. Some of these secrets were obtained from the American Three-color Company, with which company Maas, before the consolidation, had no connection, and some were the result of new inventions, developed after the formation of the complainant company, doubtless as a result of the contact of minds which had theretofore been laboring in the same fields, but out of view of each other.

The defendant Fierlein was also intrusted by the consolidated company with full knowledge of its business secrets, its lists of customers and its estimates on three-color work. The secret information thus imparted to Fierlein was, of course, much more extensive than that obtained by him when working for one of the constituent companies, and was given to him in reliance upon his supposed faithfulness and upon his announced intention of abiding by his contract with the consolidated company as his employer. (Rec., 13.)

Maas and Fierlein continued apparently (but apparently only) to discharge their duties to the complainant for four and one-half months or until July 1st, last. They had been in the employ of complainant's constituent companies

but little more than half of that length of time. During those four and one-half months, Maas and Fierlein carefully preserved an outward appearance of faithfulness and loyalty to their employer. The secret history of their movements, however, discloses the fact that as early as the middle of May (how much earlier, if any, complainant does not know) Maas and Fierlein, aided by two outsiders, began a stealthy and systematic compaign to rob the complainant of valuable property rights entrusted to their care. With the co-operation of these outsiders, (the defendants Quetsch and Seibert), Maas and Fierlein conceived the plan of forming a new company to compete with the complainant in the making of three-color plates and printing pictures therefrom, and to fraudulently and surreptitously secure to that new company valuable property rights of the complainant, namely, the aforesaid trade and business secrets. Having formed that intention, for the purpose of successfully carrying it out Maas and Fierlein retained their positions with the complainants, and preserved the outward show of loyalty and honesty. Maas, cloaked with his authority as superintendent, began to intrigue with his subordinates to induce them to violate their contracts with the complainant wherein they were bound to serve the complainant for terms of years and to refrain from divulging the complainant's secrets. These insidious efforts were in a measure successful. Several of complainant's employes under written contracts such as above described, were induced by Maas and Fierlein to join the conspiracy. In the meantime Maas, as well as his underlings, whom he had seduced, proceeded to learn all they could of the new and secret methods for the carrying on of this work, put into use since the complainant's organization. Evidence, pertinent under the allegations of this

bill, will show also that Maas went outside of his own department and under the cover of his authority with which he had been clothed by the complainant, prevailed upon complainant's employes to impart to him, though with some misgivings, other secrets to which he had no right, even by virtue of his position.

Fierlein also employed the six weeks or more during which the conspiracy was carried on under complainant's roof, in copying complainant's list of customers and its estimates on three-color work, and in ingratiating himself so far as he could with complainant's customers.

These acts were not the result of a sudden temptation, but of a carefully matured conspiracy. They sought not only to deprive the complainant of practically the entire benefit of the $8,400 purchase of November, 1901, but also to filch from the complainant property rights much greater in value. This conspiracy was hatched, and all the acts pursuant thereto took place within the complainant's factory and while the defendants Maas and Fierlein, as well as the employes whom they seduced, were drawing their salaries from complainant. These defendants, while utilizing their time and unexampled opportunities to deal the complainant the most serious blow of which they were capable, did not hesitate to permit the complainant to reward them for their treachery.

Two of the employes who yielded to the temptation held before them by Maas and Fierlein were the defendants Freese and Schultz. Freese on December 1, 1900, had contracted with the National Colortype Company, who to preserve the good will of the purchased plant was then doing business under the name of the Chicago Colortype Company. Freese bound himself to work for the National Colortype

Company until May 1, 1903, in the plate etching department, his salary ranging from $18 per week at the beginning to $24 per week at the end. The company agreed to instruct him in its methods of etching. Freese agreed to discharge his duties during the above period "conscientiously and to the full extent of his ability;" and the contract recited that inasmuch as the successful prosecution of the business necessitated keeping secret the processes and practices of the business, Freese agreed never to divulge to any one the secrets, methods or practices of the company, and especially to keep the colortype process strictly secret and not to divulge any knowledge thereof, directly or indirectly to any person, or, during the contract, to enter the employ of any person engaged in the same or a similar business, or during that period to engage in any work except for said company, wherein he would be able to utilize the knowledge, acquired while working for the company. This contract further provided that inasmuch as any suit which might be brought against Freese to enjoin him from doing and of the acts that he had agreed not to do, would necessitate the disclosure of the secret processes of the company, which would be highly detrimental to its business, Freese agreed in advance, (in order to prevent such a necessity), that the mere fact of his going to work for any person, firm or corporation in a similar line of business to that of the complainant, should be considered a breach of his agreement, and might be enjoined. And the contract further recited that it was understood that the company would not divulge any of its secrets to Freese or allow him to gain any knowledge of its processes or practices were it not for the faithful promises of Freese, not to divulge the same.

Freese likewise remained with the consolidated company

for four and one-half months after the consolidation, on the understanding that the complainant company should be substituted as a party to the above contract, in lieu of the first employer, and during said four and one-half months was entrusted by the complainant with trade secrets of which he had no prior knowledge, which were of great value to the complainant, and which would not have been disclosed to Freese but for the reliance of the company upon his honesty, and his announced intention of continuing to abide by his contract. (Rec., 9–10.)

The other former employe who was induced to join the conspiracy, and who was made a party defendant was Henry E. Schultz. His contract of employment expired August 1, 1902. He was entrusted, however, by the complainant, since the consolidation, with secrets of the nature above described, because of the confidential relation in which he stood to the complainant, and in reliance upon the implied agreement as well recognized understanding, that he would not divulge those secrets. (Rec., 10.)

The defendants Quetsch and Seibert were formerly the officers of the corporation known as Seibert, Quetsch & Co., which company had prior to 1901, done printing for Maas and Fierlein. Neither they nor their corporation had ever produced or attempted to produce three-color plates. They had simply done, for Maas and Fierlein, the mechanical work of printing from such plates.

Seibert and Quetsch were a part of the conspiracy from the beginning, and fully cognizant of all its acts, and of their dishonest character. Quetsch and Seibert together with Maas and Fierlein, in the early part of July, 1902, caused the name of Seibert, Quetsch & Co. to be changed to the Continental Colortype Company, and all those

parties, namely, Quetsch, Seibert, Maas and Fierlein, became officers, directors and stockholders of the Continental Colortype Company. The latter company about the same time (early in July last) publicly announced its intention of engaging in the business of manufacturing three-color plates and printing therefrom, in competition with the complainant, by a circular letter sent to a large number, and probably all of complainant's customers, in which circular letter it was stated that Maas would have charge of the work of producing the colortype plates, and Fierlein would have charge of the sales department. (Rec., 10, 11, 25.)

Thereupon this bill was filed praying for an injunction against the defendants Maas, Fierlein, Freese and Schutlz from becoming or remaining connected with the Continental Colortype Company, and from disclosing to said company or the other defendants the trade or business secrets acquired by them while in the employ of the complainant or its constituent companies, or the secret methods for the production of three color plates, and asking an injunction against all the defendants from making use of any of those trade or business secrets.

Upon a motion being made for a preliminary restraining order the defendants jointly filed a demurrer denying that there was any equity in the complainant's bill and also challenging the jurisdiction of the court. Upon argument the court sustained the demurrer and dismissed the bill for want of jurisdiction, the opinion of the court being as follows. (Printed Rec., 30):

"Under the allegations and prayer of the bill in this case I am of the opinion that it falls within the prohibition contained in the act of August 13, 1888 (U. S. Stat. at large, 433), as construed by the Federal courts.

The motion for a preliminary injunction is denied and the

demurrer will be sustained to the bill for lack of jurisdiction."

In other words, the court held that this suit was brought solely to recover the contents of a chose in action by an assignee of the same when such suit might not have been prosecuted in that court to recover said contents if no assignment or transfer had been made.

Our answer to this position, as urged in the court below and repeated here, is as follows:

1. As to each of the contracts of employment made by the complainant's constituent companies with the defendants Maas, Fierlein, Freese and Schultz, the bill charges by apt words a novation occurring at the time of the organization of the complainant, and consisting of a substitution, by the consent of all parties to each contract, of the complainant company in lieu of its predecessor who entered into the contract. The complainant's case, therefore, rests not merely upon the assignment of the contracts with the defendants, but upon new agreements made directly with these defendants.

2. The bill charges that during the four and one-half months in which defendants Maas, Fierlein, Freese and Schultz pretended to serve the complainant, the latter permitted them, and each of them, to become acquainted with trade and business secrets of the complainant of which they had no knowledge before that time, and that these secrets were communicated to these defendants by virtue of their confidential relations to the complainant and in reliance upon the understanding that the secrecy of the same was to be preserved. As to these secrets so communicated by the complainant directly to the defendants last mentioned, we believe the complainant's right to relief

to be entirely clear, even in the absence of the allegations respecting a novation.

3. The Federal court clearly having jurisdiction to grant the relief asked as to the trade and business secrets communicated to the defendants since February, 1902, even in the absence of any novation, may adjudicate upon the other matters inseparably connected therewith, namely, the secrets communicated to or known by said defendants prior to said date, both those acquired by said defendants by virtue of their confidential positions with complainant's constituent companies, and those not so acquired, but which the defendants were bound to disclose to no one other than complainant; for the right of complainant to relief as to all these matters constitutes but a single cause of action.

By the refusal of the court below to grant the preliminary injunction, the complainant unquestionably lost certain valuable property rights which cannot be restored. By a timely reversal of that decree, however, there will be saved to the complainant the major portion of the rights sought by the bill to be preserved. The continued enjoyment by the defendant Continental Colortype Company of the fruits of its raid will depend very largely upon its ability to make use of the services of the complainant's former employes, and especially of their knowledge acquired since the consolidation of the three companies.

A sufficient reason for not filing this bill in our state court is the well recognized disposition of that court to declare invalid any contract or understanding in restraint of fraudulent competition.

Peck Bros. Co. v. *Peck*, 113 Fed., 300.

BRIEF.

I.

As to each of the contracts of employment made by the complainant's constituent companies with the defendants Maas, Fierlein, Freese and Schultz, the bill charges by apt words a novation occurring at the time of the organization of the complainant, and consisting of a substitution, by the consent of all parties to each contract, of the complainant company in lieu of its predecessor who entered into the contract. The complainant's case, therefore, rests not merely upon the assignment of the contracts with the defendants, but upon new agreements made directly with these defendants.

2nd. Ed. Encyclopedia of Law, Vol. 21, p. 660.
Chapin v. *Longworth*, 31 Ohio St., 423.
McKinney v. *Alvis*, 14 Ill., 33.

II.

A part, at least, of the secret information, the use of which is sought to be enjoined, was acquired by defendants Maas, Fierlein, Freese and Schultz by virtue of their confidential employment by complainant itself.

The bill charges that during the four and one-half months in which said defendants pretended to serve the complainant the latter permitted them, and each of them, to become acquainted with trade and business secrets of the complainant of which they had no knowledge before that time, and that these secrets were communicated to these de-

fendants by virtue of their confidential relations to the complainant and in reliance upon the understanding that the secrecy of the same was to be preserved. As to these secrets so communicated by the complainant directly to the defendants last mentioned, the complainant's right to relief is entirely clear, even in the absence of the allegations respecting a novation.

Harrison v. *Glucose S. F. Co.*, 116 Fed., 304.
Thum v. *Tloczynski*, 114 Mich., 149.
Eastman Kodak Co. v. *Reidenbach*, 79 Hun., 183.
Westervelt v, *Nat'l. Paper Co.*, 154 Ind., 673.
Little v. *Gallus*, 38 N. Y. Supp., 487.
Morrison v. *Moat*, 21 L. J. Ch., N. S.
1 High on Injunctions, Sec. 19.
1 Story's Eq. Jur., Sec. 323.
2 Story's Eq. Jur., Sec. 953.
Chadwick v. *Covell*, 151 Mass., 190.
Peabody v. *Norfolk*, 98 Mass., 452.
Salomon v. *Hertz*, 40 N. J. Eq., 400.
Yovatt v. *Wingard*, 1 Jul. & W., 394.
Hopkins on Unfair Trade, Sec. 67.

III.

The Federal court clearly having jurisdiction to grant the relief asked as to the trade and business secrets communicated to the defendants since February, 1902, even in the absence of any novation, may adjudicate upon the other matters inseparably connected therewith, namely: the secrets communicated to or known by said defendants prior to said date, both those acquired by said defendants by virtue of their confidential positions with complainant's constituent companies, and those not so acquired, but which the defendants were bound to disclose to no one other than complainant; for the right of complainant to relief as to all these matters constitutes but a single cause of action.

Evans v. *Durango Land & Imp. Co.*, 80 Fed., 433.

ARGUMENT.

First. As to each of the contracts of employment made by the complainant's constituent companies with the defendants Maas, Fierlein and Freese, the bill charges by apt words a novation occurring at the time of the organization of the complainant, and consisting of a substitution, by the consent of all parties to each contract of the complainant company in lieu of its predecessor, who entered into the contract. The complainant's case, therefore, rests not merely upon the assignment of the contracts with the defendants, but upon new agreements made directly with these defendants.

It was contended by the defendants below, and held by the Circuit Court that this suit was based solely upon an assignment to complainant of contracts made by the defendants Maas, Fierlein and Freese with the complainant's constituent companies, the National Colortype Company, and the American Three-color Company, both corporations of Illinois, who could not have maintained this suit in the Federal Court, and that therefore this suit must fail for lack of jurisdiction.

We contend that the bill rests not merely upon contracts assigned to the complainant but upon new contracts and relations formed by these defendants with the complainant direct at the time of its organization; that the bill alleges more than an assignment to the complainant of these contracts with the American Three-color Company and the National Colortype Company; that in addition thereto it alleges an agreement between the complainant and each of these former employes and the employer with whom his contract was made, to substitute the complainant in lieu

of the first employer as a party to the contract pleaded, thereby constituting a novation; that the relation of the complainant to each of the defendants, Maas, Fierlein and Freese, rests therefore, upon an agreement made directly between the complainant and each of said defendants and not merely upon an assigned contract.

As to defendant Maas, the bill alleges (Rec., 8), that he,

"Well knowing of said consolidation and said transfer, to the complainant of the business, assets and good will of the National Colortype Company, and well knowing of the transfer to the complainant of the said contracts herein designated as exhibits A and B, consented to said transfer, and announced his intention of holding the complainant upon said contracts, and remained in the employ of complainant in the same capacity that he was prior to March 1, 1902, employed by the National Colortype Company, namely: in the capacity of superintendent of plate making, and that he so remained in the employ of the complainant and accepted the salary stipulated in said contract, Exhibit B, and in all respects acquiesced in said contract, Exhibit B, and recognized the complainant as his employer thereunder, until on or about July 1, 1902."

And the further allegation is made that by the consent of all parties—Maas, National Colortype Company and complainant—the latter was

"*substituted as a party to said contract, Exhibit B, in place and in lieu of the National Colortype Company.*"

In the following paragraph (No. 12) of the bill, (Rec., 8–9), practically the same allegations are made respecting Fierlein, and it is stated that, by the consent of himself, American Three-color Company and complainant, the latter was

"substituted as a party to said contract, Exhibit C, in place and in lieu of the American Three-color Company."

In the next paragraph of the bill (Rec., 9–10), substantially the same allegations appear as to defendant Freese,

and in the last sentence of said paragraph it is stated that by the consent of Freese, National Colortype Company and complainant the latter was "substituted as the employer of said Freese and as a party to said contract with said Freese." (Exhibit D.)

"Novation is the substitution of one obligation for another, and takes place either **by the substitution of a new for an old party,** or by the substitution of a new agreement between the old parties, or, it may be, by a change both of parties and of agreement at the same time." 2nd Ed. Encyclopedia of Law, Vol. 21, p. 660.

In this bill not only is an express agreement to substitute the new for an old employer unequivocally alleged (and such substitution necessarily includes the release of the old employer), but facts are alleged from which, even in the absence of an express agreement to substitute, would show an implied agreement.

In the case of *Chapin* v. *Longworth*, 31 Ohio St., 423, the court said:

"If the petition contained an averment that Chapin (the employer) accepted Longworth (the assignee of the party whom he contracted to serve) as employer, and released the firm (meaning the party he contracted to serve), the contract would assume the character of a novation."

"In *McKinney* v. *Alvis*, 14 Ill. 33, the syllabus is as follows: Choses in action, except negotiable instruments, are not assignable at law so as to authorize the assignee to maintain an action in his own name; to maintain an action there must be communication and a new arrangement between all the parties by which the assignor's claims upon his debtor and his liability to the assignee are extinguished."

The decision in this case holds that where there is such novation, it becomes a new contract upon which the new and substituted party may sue just the same as if he had originally contracted.

In *Wiggins Ferry Co.* v. *O. & M. R. Co.*, 142 U. S., 396, this court said:

"It is not necessary that a party should deliberately agree to be bound by the terms of a contract to which he is a

the National Colortype Company, and well knowing of the transfer to the complainant of the said contracts herein designated as exhibits A and B, consented to said transfer, and announced his intention of holding the complainant upon said contracts, and remained in the employ of complainant in the same capacity that he was prior to March 1, 1902, employed by the National Colortype Company, namely: in the capacity of superintendent of plate making, and that he so remained in the employ of the complainant and accepted the salary stipulated in said contract, Exhibit B, and in all respects acquiesced in said contract, Exhibit B, and recognized the complainant as his employer thereunder, until on or about July 1, 1902."

And the further allegation is made that by the consent of all parties—Maas, National Colortype Company and complainant—the latter was

"*substituted as a party to said contract, Exhibit B, in place and in lieu of the National Colortype Company.*"

In the following paragraph (No. 12) of the bill, (Rec., 8-9), practically the same allegations are made respecting Fierlein, and it is stated that, by the consent of himself, American Three-color Company and complainant, the latter was

"substituted as a party to said contract, Exhibit C, in place and in lieu of the American Three-color Company."

In the next paragraph of the bill (Rec., 9-10), substantially the same allegations appear as to defendant Freese,

Encyclopedia of Law, Vol. 21, p. 000.

In this bill not only is an express agreement to substitute the new for an old employer unequivocally alleged (and such substitution necessarily includes the release of the old employer), but facts are alleged from which, even in the absence of an express agreement to substitute, would show an implied agreement.

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The decision in this case holds that where there is such novation, it becomes a new contract upon which the new and substituted party may sue just the same as if he had originally contracted.

In *Wiggins Ferry Co.* v. *O. & M. R. Co.*, 142 U. S., 396, this court said:

"It is not necessary that a party should deliberately agree to be bound by the terms of a contract to which he is a stranger, if, having knowledge of such contract, he deliberately enters into relations with one of the parties, which are only consistent with the adoption of such contract. If a person conducts himself in such manner as to lead the other party to believe that he has made a contract his own, and his acts are only explicable upon that theory, he will not be permitted afterwards to repudiate any of its obligations. 2 Pomeroy Eq. Jur., Sec. 965; *C. & A. R. Co.* v. *Chgo., U. & W. C. Co.*, 79 Ill., 121."

Under the facts alleged in this bill we submit that defendants are now estopped from denying their assent to the substitution of the new for the old employer under the contracts in question, and from denying that their services for the complainant were rendered under the said contract.

We respectfully submit that under the allegations of this bill these defendant's, former employes, stand in the same relation to the complainant as if they had originally contracted with it.

II.

A part, at least, of the secret information, the use of which is sought to be enjoined, was acquired by defendants Maas, Fierlein, Freese and Schultz by virtue of their confidential employment by complainant itself.

The bill charges that during the four and one-half months in which said defendants pretended to serve the complainant, the latter permitted them, and each of them, to become acquainted with trade and business secrets of the complainant, of which they had no knowledge before that time, and that these secrets were communicated to these defendants by virtue of their confidential relations to the complainant, and in reliance upon the understanding that the secrecy of the same was to be preserved. As to these secrets so communicated by the complainant directly to the defendants last mentioned, the complainant's right to relief is entirely clear, even in the absence of the allegations respecting a novation.

The facts recited in the bill disclose an abuse of trust which is peculiar for its flagrancy. To enable a party of four men, fellow employes of the same employer against whom they had no grievance, to deliberately and concertedly continue for months in his employ for the sole purpose of fitting themselves to make a successful raid upon his most valuable possessions—continuing meanwhile to draw liberal pay from the employer while so doing—requires a refinement of treachery not often encountered. Add to this

the fact that these defendants also made use of their rare opportunities, while so employed, to induce certain other trusted employes of complainant to commit like depredations, and we have (at least from complainant's point of view) a picture of calculating villainy rarely met with in purely business relations; where the sole temptation is hope of incerased income.

The defendants Maas, Freese and Schultz were, during their four and one-half months of service with the complainant, instructed in secret methods relating to the production of three-color plates. Defendant Fierlein, who became sales agent of the new company, was not so instructed, but, "by virtue of his said employment, necessarily had access to the complainant's list of customers and estimates on colortype work, which lists and estimates were of great value to complainant, and were kept secret by it" (Printed Record, p. 13. The name Fierlein is erroneously printed as "Freese," as will be shown by a reference to the record itself).

As to Maas the bill alleges (Rec., p. 8; par. 11): "and that since said consolidations said Maas has been instructed by complainant in secrets of great value in making color type plates."

As to defendant Freese, the same allegation appears in paragraph 13 of the bill. (Rec., p. 10).

Paragraph 14, (Rec., p. 10) contains the same allegation respecting defendant Schultz.

Reported cases bearing directly upon the rights of the parties under the facts disclosed are abundant; and the rules announced therein are peculiarly harmonious. The most striking feature of those cases, however, is the mildness of the offences denounced by the courts, when compared with the admitted acts of the defendants herein.

The most recent case bearing directly upon this point is the case of *Harrison* v. *Glucose Sugar Refining Co.* decided by the United States Court of Appeals for this (the 7th) Circuit in the month of May last, and reported in 116 Fed. Rep., at page 304.

In this case the defendant Harrison made a five year contract of service with the Glucose Sugar Refining Company. The contract provided that Harrison should devote all his time and attention to the business of the company and to the performance of such duties as might be assigned to him, and it further provided that Harrison should not during the term of service agreed upon become employed by any other person than the company, and that he should not during such term become connected with in any capacity the business (other than that of defendant's said company) of buying, manufacturing or selling glucose, grape sugar, starch or any kindred products within a radius of 1500 miles of the City of Chicago.

This contract contains not a word to the effect that Harrison should not disclose any secrets that might be communicated to him in the course of his employment, nor does it in any way mention the existence of any trade secret or secret process.

Before the end of the five year term Harrison entered the employ of the Illinois Sugar Refining Company, engaged in the same line of business with the Glucose Sugar Refining Company.

A bill was filed by the latter company to restrain him from remaining in the employ of the Illinois Sugar Refining Company, or any other company engaged in the same line of business, and from communicating or disclosing to the Illinois Sugar Refining Company or any of its officers or

agents any information, knowledge, trade secrets, methods or processes of any kind pertaining to the manufacture or sale of glucose or any kindred product. The bill alleged that while in the employ of the complainant Harrison had necessarily become acquainted with secret methods and processes employed by the complainant in the manufacture of glucose and kindred products. The Circuit Court entered an order enjoining the defendant as prayed in the bill. The court of appeals upheld the order of the court below notwithstanding the fact that nothing whatever was said in the written contract between the parties concerning any secret processes or trade secrets or the disclosure of the same. The decision was based mainly upon the ground that these trade secrets were communicated to Harrison in a confidential capacity. In the course of the opinion the court said:

"There is however, another consideration which as we think should prevail to hold this contract valid. The appellent was under his contract employed in a confidential capacity in a business which, notwithstanding the denial by the appellant, we cannot but believe from the evidence presented required many secret processes. * * * The record is replete with evidence, not necessary here to be set forth at large, to the effect that experts were constantly experimenting to discover processes by which every part of the product might be utilized at the minimum of expense, and that the experiments and the results obtained were communicated confidentially to the appellant. It also satisfactorily appears, notwithstanding his denial, that the appellant entered into the employment of a concern not at the time engaged in a rival business and forthwith superintended for them the construction of works for the manufacture of glucose and its kindred products with a view to competing with the appellee in such manufacture. Under the circumstances it would require something more than a mere denial to convince us that in the manufacture of glucose he would not employ the secrets of the business of the appellee which had been confidentially communicated to him. He could not well do otherwise. He was employed

by the rival for that purpose. He was to give all his skill, including the knowledge confidentially acquired in the business of appellee, to his new master. He could not in good faith serve the one without breach of duty to the other. In such a case it may well be doubted if the rule with respect to restraint of trade should apply, because these secrets of the business are the property of appellee to which the public has no right and may not justly insist that it shall receive the benefit of appellant's services through a breach of confidence. *Twist Drill & Mach. Co.* v. *Morse*, 103 Mass., 73; *Beale* v. *Chase*, 31 Mich., 491.

"In all such cases courts have uniformly enjoined the delinquent party from engaging in the business from which he has agreed to refrain **and from disclosing the secrets of the business which he has thus acquired.** Spelling on Injunctions, Vol. 1, Sec. 477; 1 Story's Eq., 323; 2 Story's Eq., 952; 1 High on Injunctions, Sec. 19; Hopkins, Unfair Trade, Sec. 67; *Vickery* v. *Walsh*, 19 Pick., 523–527; *Peabody* v. *Norfolk*, 98 Mass., 452–458; *Chadwick* v. *Covell*, 151 Mass., 190; *Salomon* v. *Hertz*, 40 N. J. Eq., 400; *Westervelt* v. *National Paper Co.*, 154 Ind., 673. *Thum Co.* v. *Tloczynski*, 114 Mich., 149. *Morrison* v. *Moat*, 21 L. J., Ch. N. S., 248. *Youatt* v. *Wingard*, 1 Jac. & W., 394.

"This is not a suit to enforce a specific performance of a contract for personal services, which, it is conceded, cannot be done. The injunction sought to restrain the appellant from violating his covenant and **from disclosing the secrets acquired by him while in the service of appellee under his contract of employment.** There is no adequate remedy at law for such violation."

The case of *Thum Co.* v. *Tloczynski*, 114 Mich., 149, cited and approved by the U. S. Court of Appeals in the *Harrison* case, is peculiarly applicable here. The defendant, Tloczynski, was employed by O. & W. Thum in their business of manufacturing sticky fly paper by a secret process known only to the Thums and their employees, to whom the secrets were necessarily communicated. The complainant, O. & W. Thum Co. was the successor to O. & W. Thum, who employed defendant. The complainant

sought to enjoin the defendant from using or disclosing to others the secrets, a knowledge of which he had acquired while in the employ of O. & W. Thum. There was a sharp conflict in the testimony as to whether or not there was an express agreement between O. & W. Thum and the defendant that the latter should not disclose these trade secrets. The court, however, found that whether or not there was an express agreement, there was, by virtue of the relations of the parties, an implied agreement that the defendant should not disclose these secrets.

In deciding the case the court said, (page 151):

"One cannot read all the testimony in the light of the facts and circumstances surrounding the conditions of the business at the commencement of defendant's employment, and its subsequent development and growth, without coming to the conclusion that the defendant and his employers regarded his relation to them as a confidential one and contemplated that he should not disclose or make improper use of the secrets of the business. The conclusion is irresistible that defendant would not have been employed and that information which was imparted to him would not have been conveyed, if it had been understood that he might sever his relations with his empolyers at any time and sell the valuable information which had been imparted to him whenever he could find a market."

Again, the court say, (page 157):

"But if it may be stated that the only agreement is an implied one growing out of the oral statements, taken in connection with the facts and circumstances surrounding the business and the parties and their acts, still, if it is clearly established by all that was said and done that the secrets confided to the defendant were not to be disclosed by him to others and were not to be used by him except when he was in the employment of those who imparted to him the secret, or their legal representatives, and that was one of the conditions of his employment, we do not think it would make any difference in the principle involved. The knowledge came to him in the course of a

confidential employment, relying upon his using the knowledge only for the benefit of the employers."

The authorities cited amply sustain the court's position. One of the authorities cited is *Eastman Kodak Co.* v. *Reichenbach*, 79 Hun., 183, wherein the court, after announcing the doctrine that "courts of equity will restrain a party from making a disclosure of secrets communicated to him in the course of a confidential employment, and it matters not in such case whether the secrets be secrets of trade, or secrets of title, or any other secrets of the parties important to his interest," says that "the same doctrine has obtained in this state for at least half a century and it has been enunciated by a line of decisions which, with a single exception, is unbroken."

In the case of *Westervelt et al.* v. *National Paper Co.*, 154 Ind., 673, also cited with approval in the *Harrison* case, supra, the complainant, National Paper Co. employed the defendant Taggart to complete an invention for making paper bags, upon which he, Taggart, had been working. Taggart entered complainant's employ, completed the invention and remained for some years in complainant's employ. The invention was not patented, such having been the understanding between the complainant and Taggart, but complainant was to retain and did retain the benefit of the invention by keeping same secret. After Taggart left complainant's employ he contracted with defendant, Westervelt, to enter his service for three years and to make the same machine for him, and Westervelt contracted with defendants Buescher M. Co. and Huston to do certain work upon those machines. Westervelt, Buescher M. Co. and Huston knew, when making their contracts with Taggart, of his relations to the complainant. Taggart and all the other defendants were enjoined from

making any use of the secrets which Taggart had disclosed and the other defendants were about to use.

The court, after reviewing many authorities, says: (pp. 678, 679):

"It is evident from the authorities cited that if a person employs another to work for him in a business in which he makes use of a secret process, or of machinery invented by himself, or by others for him, but the nature and particulars of which he desires to keep secret, **and of which desire on the part of the employer the employe has notice at the time of his employment, even if there is no express contract on the part of the employe not to divulge said secret process or machinery,** the law will imply a promise to keep the employer's secret thus entrusted to him; and any attempt on his part to use the secret process or machinery, or to construct the machinery for his own use as against the master, or to communicate said secret to others, or in any manner to aid others in using the same, or in constructing the machinery, will not only be a breach of his contract with his employer, but a breach of confidence and violation of duty which will be enjoined by a court of equity.

"It is clear from the allegations of the complainant, which are admitted to be true by the demurrer, that appellee, by the expenditure of money and time, has built up a successful business, and that said success is largely due to said complete machine for the pasting of the bottoms of the paper bags, the invention and discovery of Taggart. Said machine was a secret, and, under the facts alleged, even if no agreement was made, one would be implied that he was not to disclose the secret of the construction of the machine, or impart any information by which any one could construct such a machine. He occupied a confidential relation to appellee, and in such case the law raises an implied contract between them that the employe will not disclose any trade secret imparted to him, or discovered by him, in the course of his employment. A disclosure of such secrets thus acquired is not only a breach of contract on his part, but is a breach of trust which a court of equity will prevent."

Again the court says, on page 680:

"It is true that it is alleged that when Taggart was employed by appellee there were in existence machines which would so fold and paste one end of a paper tube as to form a complete paper bag; but it is also alleged that the construction of said machine was a secret not generally known to those engaged in the manufacture of paper bags, and not known to plaintiff, and that those owning such machines kept the same a secret. It is not alleged that appellee's machine for pasting the bottoms of said paper bags was like those used by other parties; on the contrary, it is expressly averred that 'there are no other machines like it;' nor does the mere fact that appellee's machine performed the same work as the machines referred to raise any presumption that it was the same. It appears from the complaint that said machines cannot be constructed except by the use of information furnished by Taggart in violation of his duty and agreement with appellee. As we have shown the divulging and use of such information can be enjoined."

In *Little* v. *Gallus et al.*, 38 N. Y. Supp., 487, the complainant was a maker of typewriter ribbons by means of secret processes and formulae. The defendants below entered his employ while they were minors, and remained in his employ until their majority, and until they were promoted to positions which required that they be informed, and they were informed, of these secret processes and formulae, and they knew that the same were preserved as secrets by their employer.

"They likewise understood that the plaintiff confided in them and permitted them to obtain complete knowledge of the different processes and formulae he was using in his business in reliance upon their fidelity as his confidential servants."

Yet the defendants left complainant's employ and associated themselves with other parties, organized the Rochester Ribbon and Carbon Company, and proceeded to manufacture typewriter ribbons of the same character and after

the same manner as those manufactured by the complainant.

The court said, pp. 489, 490:

"And that, notwithstanding the knowledge thus obtained, and in violation of the faith and confidence reposed in them, they surreptitiously made memoranda of these formulae, and are now using the same, as well as all the other knowledge obtained while in the plaintiff's service, to start and operate a rival establishment. The only question, therefore, to be determined, upon this state of facts, is whether or not they shall be permitted to carry out their intentions. It is contended by the plaintiff that his case is brought directly within the rule laid down in that of *Kodak Co.* v. *Reichenbach*, 79 Hun., 183, 29 N. Y. Supp., 1143, recently decided by the general term in the fifth department. And the defendants, while conceding that the law of the case is there correctly stated, insist that the facts do not warrant its application here.

"We find ourselves unable to concur in the view thus taken and which was carefully elaborated upon the argument by the learned counsel for the defendants. The facts of this case differ somewhat from those of the *Reichenbach* case, in that there was no written agreement entered into between these parties by which the employes undertook to give to their employers exclusive right in or control over any inventions discovered by or disclosed to the former; but we are unable to see how this strengthens the defendants' contention. In the case cited there happens to be an express contract, but nevertheless it is asserted, in the opinion of the court, and such is unquestionably the correct rule, that the law raises an implied contract that an employe who occupies a confidential relation towards his employer will not divulge any trade secrets imparted to him or discovered by him in the course of his employment; and we do not see why the defendants Gallus and Bostwick are not under just as strong an obligation to observe and keep sacred the trust reposed in them as they would be had they reduced the contract which the law implies to writing. Nor does the fact that they entered the plaintiff's service while minors, and at first performed duties comparatively unimportant in their character, relieve them from a faithful observance of their

obligation. Gallus, at least, was ultimately advanced to a position of great responsibility, and both of them had attained their majority before attempting to take improper advantage of the knowledge imparted to them while in the plaintiff's employ, and their present experiments are not in the direction of legitimate competition, but involve a breach of trust which we think the court should prevent. For these reasons we are of the opinion that the judgment appealed from should be reversed, and that a new trial should be granted."

In *Eastman Kodak Co.* v. *Reichenbach*, 79 Hun., 183, the plaintiff was the owner of valuable trade secrets, which were either discovered by one or more of the defendants, or necessarily disclosed to them while occupying a confidential relation toward the plaintiff. A bill was filed to restrain the defendants from using or in any manner disclosing or imparting to anyone any secret or information as to any processes or formulae used by the plaintiff in its business of manufacturing photographic supplies, and especially in its business of making emulsion and film, which had been imparted to or acquired or discovered by them while in the employ of the plaintiff or its predecessors in business. The defendants were in the employ of the plaintiff, holding responsible and lucrative positions. They were men of education, skilled and experienced in their respective departments, and their services were of great value to the plaintiff, in whose interests, it is claimed, they or two of them, Reichenbach and Passavant, had made certain discoveries and inventions which were of great value, and which were unknown to the world at large. While thus employed by the plaintiff, the defendants organized a new company, with a large capital, for the purpose of engaging in the same business as that carried on by the plaintiff, in which business it was proposed to use those discoveries and in-

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ventions. The court enjoined the defendants, as requested, and the latter appealed.

The court, after reviewing many authorities, said pp. 193, 194:

"By a careful reading of the various decisions upon this subject, it will be seen that some are made to depend upon a breach of an express contract between the parties, while others proceed upon the theory that where a confidential relation exists between two or more parties engaged in a business venture, the law raises an implied contract between them that the employe will not divulge any trade secrets imparted to him or discovered by him in the course of his employment, and that a disclosure of such secrets thus acquired is a breach of trust and a violation of good morals, to prevent which a court of equity should intervene.

* * * * *

"But, without multiplying citations or prolonging consideration of the legal aspect of this case, it may be said by way of conclusion that the principle contended for by the plaintiff is not only abundantly supported by authority, but is likewise founded on good common sense, and is peculiarly applicable to the case in hand. Here is a party which, by the expenditure of vast sums of money and the exercise of much skill and ingenuity, has built up a large and prosperous business, the capital of which consists largely in certain inventions and discoveries made by its officers, servants and agents. The world at large knows nothing of these inventions and discoveries, because they are locked within the brain of those who conceive them. The defendants, who have been largely instrumental in perfecting them, while under both an express and implied contract to give the plaintiff the benefit of their inventive genius, propose now to disregard their legal and moral obligations by creating a new establishment where these inventions and discoveries may be employed to plaintiff's serious injury. This is not legitimate competition, which it is always the policy of the law to foster and encourage, but it is *contra bonos mores*, and constitutes a breach of trust which a court of law—and much more a court of equity—should not

tolerate. It follows, therefore, that the plaintiff is entitled to the relief sought by this action, certainly as against the defendants, Reichenbach and Passavant; and, as the defendant Milburn has allowed himself to engage in an illegitimate enterprise, with knowledge of or the means of knowing what its operation involves, I can see no good reason why he should not be subjected to the same restraining process as his co-defendants. Judgment is accordingly directed against all three defendants, with costs of the action."

In *Morrison* v. *Moat*, 21 Law Journal, Ch. N. S., Justice Lord Cranworth delivered the opinion of the court, which begins as follows:

"The principles that were argued in this case are principles really not to be called in controversy. There is no doubt whatever that where a party who has a secret in a trade employs persons under contract, express or implied, or under duty express or implied, those persons cannot gain the knowledge of that secret, and then set it up against their employer. That is perfectly clear, and the only doubt there is in the case is on the question of fact here, as was put by Vice Chancellor Turner in giving his judgment."

In 1 High on Injunctions, Sec. 19, the author says:

"The disclosure of secrets which have come to one's knowledge during the course of a confidential employment will be restrained by injunction. And where the confidential relationship has existed between the parties out of which one of the parties has derived information or secrets concerning the other, equity fastens an obligation upon his conscience not to divulge such knowledge, and enforces the obligation, when necessary, by injunction. Thus persons who in the capacity of attorneys, agents or any other confidential relations, have obtained the custody of the books and documents of their principals, or have come into th possession of secrets relating to their affairs, will be restrained from making them public."

In 1 Story's Equity Jurisprudence, Sec. 323, the author says:

"On the whole the doctrine may be generally stated that

wherever confidence is reposed, and one party has it in his power in a secret manner for his own advantage to sacrifice those interests which he is bound to protect, he will not be permitted to hold any such advantage."

In 2 Story's Equity Jurisprudence, Sec. 952, the author says:

"Upon similar ground of irreparable mischief the court of equity will restrain a party from making a disclosure of secrets communicated to him in the course of a confidential employment. And it matters not in such case whether the secrets be secrets of trade or secrets of title, or any other secrets of the party important to his interests."

The following authorities clearly show the rights of our complainant as against defendants Quetsch, Siebert and Continental Colortype Company, all of whom propose to use and are using trade secrets, the property of complainant, and acquired by said defendants through a gross breach of trust.

In *Chadwick* v. *Covell*, 151 Mass., 190, Mr. Justice Holmes, in delivering the opinion of the court, said:

"So far as the right to manufacture and sell the medicines goes, the plaintiff's case may be disposed of in a few words. Dr. Spencer had no exclusive right to the use of his formulas. **His only right was to prevent any one from obtaining or using them through a breach of trust or contract.** Any one who came honestly to the knowledge of them could use them without Dr. Spencer's permission and against his will. (*Peabody* v. *Norfolk*, 98 Mass., 452–458; *Morrison* v. *Moat*, 9 Hare, 241, 263; *Williams* v. *Williams*, 3 Meriv., 157."

In *Peabody* v. *Norfolk*, 98 Mass., 452, Peabody built a mill and furnished it with machinery secretly invented by himself for making gunny cloth by a secret process, also of his invention, and made a contract with Norfolk, who had already acquired a confidential knowledge of those inventions and secrets while engaged in Peabody's service, which contract provided that Peabody was to serve as engineer

of the mill and not to give anybody information about the machinery, and by all means in his power to prevent others from obtaining information in regard to it.

Norfolk left Peabody's employ and made an arrangement with a third party to communicate to him the secrets and with him to use the same for their own benefit. The third party had knowledge of the circumstances under which Norfolk acquired the secret information.

The court enjoined both Norfolk and the third party from making any use of the information thus obtained and communicated by Norfolk. Mr. Justice Gray, in delivering the opinion of the court, said, page 458:

"If a man invents or discovers and keeps secret a process of manufacture, whether a proper subject for a patent or not, he has not indeed an exclusive right to it as against the public or as against those who in good faith acquire a knowledge of it; but he has a property in it which a court of chancery will protect against one who, in violation of contract and breach of confidence, undertakes to apply to his own use or to disclose it to other persons. Jurisdiction in equity to interfere by injunction to prevent such a breach of trust, when the injury would be irreparable and the remedy at law inadequate, is well established by authority."

See, also,

Solomon v. *Hertz*, 40 N. J. Eq., 400.

In *Yovatt* v. *Winyard*, 1 Jacob & Walker, 394, the plaintiff, who was the proprietor of the medicines, had employed the defendant for some time as his assistant or journeyman, under an agreement by which he was to have a salary and to be instructed in the general knowledge of the business, but was not to be taught the mode of composing the medicines. He some time after left the plaintiff and entered into business for himself, and the plaintiff had latterly discovered that he had, while in his service, surreptitiously

got access to his books and recipes, and copied them, and was now selling the medicines with printed papers for administering them, which were almost literal copies of those composed by the plaintiff. The defendant had afterwards offered for small salary to agree not to divulge the recipes. The Lord Chancellor granted the injunction upon the ground of there having been a breach of trust and confidence.

In Hopkins, Unfair Trade, Sec. 67, the author says:

"A secret in trade is fully recognized as property, in equity, the disclosure of which will be restrained by injunction.

"A contract in reference to such a secret cannot be in restraint of trade, 'because the public has no right in the secret,' * * * But it is settled that a secret art is a legal subject of property, and its owner has a vested right to the secrecy of all those who occupy a fiduciary relationship to his business, so that no one who obtains knowledge of the secret by fraud or unfair means will be permitted to avail himself of the fruits of his fraud, by disclosing the secret, or manufacturing under it."

In view of the specific allegations of the bill, under oath, as to the secrets acquired by the defendants while in complainant's employ, we respectfully urge that the court below was in error in dismissing the bill for want of jurisdiction.

III.

The Federal court, clearly having jurisdiction to grant the relief asked as to the trade and business secrets communicated to the defendants since February, 1902, even in the absence of any novation, may adjudicate upon the other matters inseparably connected therewith, namely: the secrets communicated to or known by said defendants prior to said date, both those acquired by said defendants by virtue of their confidental positions with complainant's constituent companies, and those not so acquired, but which the defendants were bound to disclose to no one other than complainant; for the right of complainant to relief as to all these matters constitutes but a single cause of action.

In the case of *Evans* v. *Durango Land & Coal Co.*, decided by the United States Circuit Court of Appeals for the Eighth Circuit in 1897, and reported in the 80th Federal Reporter, at page 433, the plaintiffs sued the defendants at law to recover the value of certain coal alleged to have been mined from certain land in Colorado between the years of 1885 and 1895. The suit was begun in the state court and removed by the defendants to the Federal court, where a motion to remand was overruled on the ground that the construction of an act of Congress was involved. The complaint showed that the plaintiff, Evans, filed his declaratory statement in 1880. That one of the defendants afterwards made a pretended entry of the lands in the United States Land Office at Leadville, Colorado, without notice to the plaintiff Evans. That thereafter there was a contest between the plaintiffs and the defendants at the United States Land Office at Gunnison, Colorado, as to who was entitled to the land. That the registrar and receiver of the United States

Land Office at Gunnison held with the plaintiffs; that an appeal from such decision was taken to the commissioner of the general land office and to the secretary of the interior and that the decision of the registrar and receiver was affirmed by each of said officers. That pursuant to such decision the plaintiff Evans entered and paid for the lands in 1894, and a patent was subsequently issued to Evans for the land.

The complaint asked a recovery for the coal mined both before and after December, 1894, the date that plaintiff was permitted to enter and pay for the land. The question whether plaintiff was entitled to recover for coal mined before December, 1894, involved the construction of an act of Congress; the question whether plaintiff was entitled to recover for coal mined after December, 1894, did not involve a construction of an act of Congress. The Circuit Court, after overruling the motion to remand to the state court, sustained a demurrer to the complaint and dismissed the suit. On appeal by the plaintiffs to the Circuit Court of Appeals, both rulings of the Circuit Court were questioned, the one refusing to remand and the one sustaining the demurrer. The Court of Appeals sustained the lower court in refusing to remand, but overruled the lower court in sustaning the demurrer. The Court of Appeals held that the complaint showed no right of recovery for coal mined prior to December, 1894, but did show a right to recover for coal mined and removed by the defendants subsequent to that date; and though the Court of Appeals plainly stated that the question of plaintiff's right to recover for coal mined after December, 1894, involved no Federal question, yet the court held that the Federal court had jurisdiction to pass upon the cause because the trespasses before and after December, 1894, constituted one cause of

action, and the Federal court, having jurisdiction to determine the rights of the parties prior to that date, had jurisdiction to consider and pass upon the whole case. The court said, page 437:

"Even if it happens, therefore, that the paintiff will only be able to show a right to recover for such coal as was mined and removed subsequent to the entry of December 31, 1894, yet that result will not deprive the Federal court of its right to enter a judgment for the value of the coal so mined and removed. The cause of action stated in the complaint is clearly single and indivisible, and the plaintiffs have so stated their cause of action as to show that an adjudication upon their claim as presented necessarily involves the construction of Federal statutes. It results from these facts that the trial court by the proceedings for removal, lawfully acquired jurisdiction of the entire cause; that is to say, the right to enter a judgment for any portion of the demand if the plaintiffs show themselves entitled to recover and that jurisdiction could not be affected by subsequent events."

Again the court say: (page 441):

"It may be that facts can be shown which will excuse Evans' apparent want of diligence in perfecting his title, but we are constrained to hold that the plaintiffs' complaint does not contain such a showing, nor any averment to justify us in holding that his patent should be given effect by relation as of a date anterior to December 31, 1894. Under the averments of the complaint as heretofore stated, there would seem to be a right to recover for such coal as the defendant company may have mined and removed from the land subsequent to the latter date, and for that reason we think that the demurrer to the complaint should have been overruled. The judgment of the Circuit Court is accordingly reversed and the cause is remanded for a new trial."

In the case at bar, the complainant's exclusive right as against these defendants to the secrets communicated to the defendants employed by it after February last, and to those communicated to said defendants prior to that date or known to the defendants prior to that date, may cer-

tainly be considered one cause of action, as single and indivisible as the plaintiff's cause of action in the Evans case to the coal mined and taken away before and after December, 1894. Our complaint is based upon a gross fraud of these defendants which we seek to restrain. The fraudulent acts were all committed since the complainant came into existence; and we respectfully submit, those fraudulent acts are not susceptible of segregation.

Opposing counsel has insisted, and doubtless will here insist, that the purpose of the bill is purely to enforce the negative covenants in the written contracts. We contest that statement. As to the secrets confided to these defendants by the complainant itself, it cannot be denied that complainant is entitled to the relief asked on the ground of restraining a breach of trust. *That the granting of such relief would incidentally result in the enforcement of those negative covenants cannot deprive the court of its jurisdiction.*

Is the defendants' breach of trust as shown in this bill limited to their disclosure of secrets learned after the organization of complainant? Under the facts disclosed here, could the defendants, after having remained in this business after complainant's organization under the circumstances shown, with honesty and fairness proceed to the organization of a rival business having for its capital secrets obtained by these defendants from complainant's constituent companies under the written contracts not to disclose them? Is it not true that all the secrets relating to this business and known to these defendants, or any of them, they cannot, with any honesty or fairness, disclose to anyone or use to the detriment of complainant? They bound themselves not to do so, to concerns whose businesses

have been merged in that of complainant's with the knowledge and assent of defendants, and those concerns have now no separate existence. The defendants have no right to make any use of those secrets for any purpose.

In the case now before this court, leaving entirely out of consideration the allegations respecting novation, the allegations of the bill as to the secrets of the complainant acquired directly from it by these defendants, clearly give the Federal court jurisdiction of this case.

As to this proposition we can find no division or dispute in the authorities. The Federal and the state courts are a unit upon this question. Having acquired jurisdiction, was not the Federal court clothed with power to consider and determine the whole cause of action of this complainant against these defendants disclosed by the bill? We respectfully submit that the *Evans* case last above cited clearly answers this question in the affirmative.

In the case of *Harrison* v. *Glucose Sugar Refining Company*, decided by the Circuit Court of Appeals for the Seventh Circuit, and referred to under another head of our argument, the court based its right to restrain defendant from remaining in the employ of his new master upon the ground that such employment would necessarily involve his disclosing to his new employer all the secrets regarding corn products that he possessed, *both those which he learned by virtue of his confidential employment with the complainant, as well as those which he knew before.* And the court said that his duty to his new master would require him to disclose all those secrets, while his duty to his old master would require him to not disclose the secrets acquired from the latter.

So in this case, the duty of these defendants, former employees of complainant, to their new master requires them

to disclose all the information regarding the colortype process of which they are possessed. Their duty to the complainant requires them to conceal from their new master not only the secrets known to them prior to the organization of the complainant, whether obtained from complainant's constituent companies or not, but also the secret information acquired directly from the complainant while they were in its employ in a confidential capacity under an unmistakable understanding that all such imformation should be kept secret. The right of the Federal court to enjoin defendants from disclosing this last acquired information is beyond dispute; their duty not to disclose it is wholly inconsistent with their present employment.

Respectfully submitted,

A. M. PENCE,
Solicitor for Appellant.

LACKNER, BUTZ & MILLER,
Of Counsel.

3364

IN THE

Supreme Court of the United States.

OCTOBER TERM, A. D. 1902.

No. 440.

AMERICAN COLORTYPE COMPANY, *Appellant,* vs. **CONTINENTAL COLORTYPE COMPANY, WILLIAM J. MAAS, BAXTER J. FIERLEIN, HENRY FREESE, HENRY E. SCHULTZ, O. H. QUETSCH, and J. O. M. SEIBERT,** *Appellees.*	Appeal from the Circuit Court of the United States for the Northern District of Illinois, Northern Division.

REPLY ARGUMENT OF APPELLANT.

The sole question in this appeal is whether the Circuit Court had jurisdiction to grant any part of the relief asked.

If we are right upon either the first or the second of three propositions stated in our brief and argument, then the court had such jurisdiction. The third proposition goes only to the extent of the jurisdiction.

The answer made to our first proposition is, in effect, that we pleaded the requisite jurisdictional facts *by inadvertence.*

Inasmuch as the evidence of this supposed inadvertence consists solely of the conjecture of counsel; and

inasmuch as this inconclusive evidence is weakened by the fact, stated in our former brief, that this same point was urged upon the court below, we submit that this defense hardly rises to the plane of seriousness.

The inference may be drawn from the argument of counsel (though the point is not directly made) that in their opinion the *substitution* of a new party to a contract *in lieu and in stead* of a former party, does not involve the release of the former party. We submit that the *terms are equivalents.* An agreement to substitute is pleaded.

In reply to our second proposition counsel have only to say, that the duty, which defendants owed to complainant, and a violation of which the court below would otherwise have had jurisdiction to enjoin, was *covered by an express contract between the parties* and that the terms of the contract superseded that duty, and thereby deprived complainant of a right of action based upon that duty not to commit a breach of trust. This doctrine is asserted, but not established by a reference to authorities.

But the remarkable feature of this argument is the fact that counsel, almost in the same breath, *maintain that no express contract covering these matters exist, or ever existed between this complainant* and the defendant.

We submit that the argument of counsel is a practical confession of the correctness of our first two propositions, and of the error of the court below in dismissing the bill.

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In reply to the suggestion of counsel that we should have presented formal exceptions to the rulings of the Circuit Court (evidenced probably by bills of exceptions), we beg to refer to the cases of *Chicago A. W. Co.* v. *Connecticut M. L. I. Co.*, 57 Ill., 424, and *Smith* v. *Newlands*, 40 Ill., 101.

Respectfully submitted.

A. M. PENCE,
Solicitor for Appellants.

LACKNER, BUTZ & MILLER,
Of Counsel.

Otto C. Butz
Chas C. Miller

FILE COPY.

FILED
DEC 15 1902
JAMES H. MCKENNEY,
Clerk.

IN THE

Supreme Court of the United States

October Term, A. D. 1902.

No. 448.

AMERICAN COTTON OIL COMPANY,
Appellant,

vs.

CONTINENTAL COTTON OIL COMPANY, WILLIAM L. [illegible], as Trustee, VIRGINIA TRUSTEE, HENRY FRESER, HENRY E. SCHULTE, C. H. GOETTER, and D. H. [illegible],
Appellees.

Appeal from the Circuit Court of the United States for the Northern District of Illinois, Eastern Division.

Brief and Argument of Appellees.

JOHN C. BARNES,
Solicitor for Appellees.

[illegible], Attorneys at Law,
[illegible],
Of Counsel.

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1902.

No. 440.

AMERICAN COLORTYPE COMPANY,
Appellant,

vs.

CONTINENTAL COLORTYPE COMPANY, WILLIAM J. MAAS, BAXTER J. FIERLEIN, HENRY FREESE, HENRY E. SCHULTZ, O. H. QUETSCH AND J. O. M. SEIBERT,
Appellees.

Appeal from the Circuit Court of the United States for the Northern District of Illinois, Northern Division.

Brief and Argument of Appellees.

PRELIMINARY.

The brief of the appellant does not conform to either section 1 or section 2 of paragraph 2 of Rule 21 of this court (108 U. S., 584). There is in it no specification of the errors relied upon, nor is there any statement of the case, which at all meets the requirements of the rule. The appellees are compelled, therefore, to make a full statement of the case.

STATEMENT OF THE CASE.

The sole question which is presented to the court by this appeal, if any question is presented, is whether the matters alleged in the bill of complaint herein, to which the Circuit Court for the Northern District of Illinois sustained a demurrer, state a case that is within the jurisdiction of the lower court.

The Circuit Court held from an examination of the allegations and prayer of the bill, that the case presented fell within the prohibition of the act of Aug. 13, 1888, 25 Stat. 433, 1 Supp. Rev. Stat. 612 (Rec., 30), which act is corrective of 24 Stat. 552.

That statute is as follows:

> "Nor shall any circuit or district court have cognizance of any suit, except upon foreign bills of exchange, to recover the contents of any promissory note or other chose in action in favor of any assignee, or of any subsequent holder if such instrument be payable to bearer and be not made by any corporation, unless such suit might have been prosecuted in such court to recover the said contents if no assignment or transfer had been made."

When the demurrer was sustained, the appellant took no exception but declined to amend its bill and elected to stand upon the pleading. Thereupon, a decree of dismissal for want of jurisdiction was entered (Rec., 30), to which action of the court the defendant did not except. We do not believe that a case of this kind falls within the general rule of equity practice. The case comes up upon a certificate, and the appellant, by an exception properly taken, ought to have put itself in condition to complain of the ruling. But we have been unable to find any precedent upon this point and we suggest the consideration with some hesitation.

STATEMENT OF THE PLEADINGS.

The bill of complaint alleged that the complainant (appellant) was a corporation of New Jersey and a citizen of that state, and that all the defendants (appellees) were citizens and residents of the State of Illinois. (Rec., 3-4.)

That on November 20th, 1901, defendants Maas and Fierlein were partners composing a firm carrying on business as the Maas Engraving Company, engaged in the production of colored pictures by a printing process known as the colortype or three-color-process, Fierlein being sales manager and Maas being the manager of the manufacturing department and familiar with the process of producing the plates and of printing therefrom. (Rec., 4.)

That on and prior to November 20th, 1901, the National Colortype Company and the American 3-Color Company, both companies organized and existing under the laws of Illinois, were engaged in the business of three-color printing. (Rec., 4.)

That on November 20th, 1901, Fierlein and Maas sold and transferred the co-partnership business of the Maas Engraving Company to the said National Colortype Company for the sum of eighty-four hundred dollars. (Rec., 4-5.)

That the said American 3-Color Company furnished a substantial part of the said eighty-four hundred dollars and as a part of said sale and transfer and as a principal inducement to the payment of said purchase price, Maas made a contract of service with the National Colortype Company and Fierlein made an agreement of service with the American 3-Color Company. (Rec., 5.)

That the bill of sale of Maas and Fierlein to the National Colortype Company (Exhibit A. to the bill of complaint, Rec., 19-20), made the contracts of service by Maas and

Fierlein part of the sale and purchase of the said business. (Rec., 20.)

That the contract of service by Maas with the National Colortype Company (Exhibit B. to the bill), bound Maas to serve the Company, and bound the Company to employ him for five years from December 1st, 1901, and Maas agreed during that period to give his whole time to the service, to accept no employment with any person or corporation engaged in three-color printing, and that he would not for ten years from December 1st, 1901, anywhere in this country east of the Rocky Mountains, be interested in any way in any three-color business, similar to that of the National Company, and would not for the said ten year period teach to any one any secrets or processes relating to three-color printing, which he then knew or which during his employment he might learn. (Rec., 21.)

That the contract of service by Fierlein, with the American 3-Color Company (Exhibit C. to the bill), was simply for his exclusive service as salesman for a period of two years from December 1st, 1901. (Rec., 23.)

That Maas on December 1st, 1901, entered into the employ of the National Colortype Company, became superintendent of its plate making, and by virtue of his employment became possessed of secrets of the colortype business other than he already knew and was fully and freely instructed in such secrets by the National Colortype Company's officers and employees. (Rec., 7.)

That Fierlein also entered into the employ of the American 3-Color Company on December 1st, 1901, and was instructed in its methods of doing business and of securing trade and customers and became acquainted with the names of all of its customers. (Rec., 7.)

That on December 1st, 1901, the defendant Freese had

entered into the employment of the Chicago Colortype Company (whose business was carried on by the National Colortype Company), in its copper plate etching department under a contract for his exclusive service (Exhibit D. to the bill), whereby he had agreed not to divulge any of the secrets of the business and had agreed not to enter into any employment similar to that of the National Colortype Company, and he had agreed that if he so went to work, he might be enjoined and that the fact of his so doing would be sufficient proof of a breach of his agreement. (Rec., 23-24.)

That the defendant Schultz was, prior to July 1st, 1902, in the employ of the complainant, and by virtue of his employment, had become possessed of certain of its secrets in three-color printing. (Rec., 10.)

That on February 15th, 1902, the said National Colortype Company, the American 3-Color Company and the Osborne Company were consolidated into the complainant and *"each "of said companies transferred to the complainant all the as- "sets of each and all of said respective companies, including "good-will, trade secrets, and all contracts of whatsoever name "and nature, including * * * said Contracts Exhibit "A, B, and C * * * said contracts A and B by said "National Colortype Company, and said contract Exhibit "C, by said American 3-Color Company, to the complain- "ant,"* and ever since said date the complainant has carried on said business. (Rec., 7-8.)

That Maas, knowing of said consolidation and said transfer to complainant of the business, assets and good will of the National Colortype Company, and including *"the said "contracts herein designated as Exhibits A and B consented "to said transfer and announced his intention of holding the "complainant upon said contracts and remained in the em- "ploy of the complainant,"* and recognized complainant as

his employer and accepted his salary from complainant until July 1st, 1902, and that since said consolidation, said Maas has been instructed by complainant in secrets of great value in making colortype plates, "and the complainant says that "by the acts and doings of said National Colortype Company "and the said William J. Maas and the complainant on and "after said March 1st, 1902, the complainant, by the consent "of all parties, became substituted as a party to said con- "tract, Exhibit B, in place and in lieu of the National Color- "type Company." (Rec., 8.)

That the said Fierlein *knowing of the consolidation and transfer of all the assets and contracts and good will of the American 3-Color Company to the complainant, including the contract, Exhibit C, consented thereto and remained in the employ* of complainant, visiting its customers and dealing with the same, and accepting his salary and by the acts of said American 3-Color Company and said Fierlein, and the complainant since March 1st, 1902, and by the consent of all parties, the complainant has become substituted as a party to said contract, Exhibit C, in place of the American 3-Color Company. (Rec., 8-9.)

That under the said contract of the said Freese with the Chicago Colortype Company, he entered into the employ of the National Colortype Company, and was freely instructed in the secret arts relating to the making of plates for colortype printing and printing therefrom, "*and that said con- "tract with said Freese, at the time of the transfer to the "complainant by the National Colortype Company of its as- "sets was also transferred by said National Colortype Com- "pany with the consent of said Freese, who thereupon, with "full knowledge of said consolidation and transfer, and giv- "ing his full assent thereto, became under said contract em- "ployed by the complainant,*" and since said consolidation

said Freese has been instructed by complainant in secrets of great value to complainant in making colortype plates, and the complainant "became by the consent of all parties sub-"stituted as the employer of said Freese and as a party to "said contract," Exhibit D. (Rec., 9-10.)

That the defendants Quetsch and Seibert, were officers and directors of a company, "Seibert, Quetsch & Co.," which company had done colortype printing for the Maas Engraving Company. (Rec., 10.)

That on or about May, 1902, Fierlein & Maas, fraudulently conspiring to violate their aforesaid contracts and to rob the complainant of the entire consideration which they had received from the National Colortype Company and the American 3-Color Company, the predecessors and constituents of Continental Colortype Company, about July 1st, 1902, became stockholders and directors in the Continental Colortype Company formed out of Seibert, Quetsch & Co., for the purpose of engaging in Chicago in colortype printing, with the aid of Maas, Fierlein, Freese, and Schultz, in competition with complainant, as evidenced by Exhibit E, a letter sent to complainant's customers. (Rec., 10-11.)

That said Continental Colortype Company and Quetsch and Seibert will be wholly unable to begin or continue their colortype business "without the aid and knowledge possessed "by said Maas and said Fierlein on November 20th, 1901, "*and acquired by them since that time while in the employ "of the complainant and of the National Colortype Company "and of the American 3-Color Company.*" (Rec., 11.)

That the Continental Colortype Company and Quetsch & Seibert, who in forming their company had notice of the Maas and Fierlein contracts, have acquired whatever knowledge they possessed of colortype printing "through the fraud and villainy" of Maas and Fierlein. (Rec., 11.)

That Maas and Fierlein consummated their conspiracy while in complainant's employ and while so employed spent their time in intriguing with and corrupting complainant's employees under contract not to divulge secret processes, and induced Freese and Schultz to join their conspiracy, with the intention of disclosing their knowledge, and that said Fierlein took copies of complainant's customers, estimates for the purpose of diverting its business to the Continental Colortype Company. (Rec., 11-12.)

That Maas and Fierlein left complainant's employ about July 1st, 1902, without reason and although complainant has fully performed its contracts. (Rec., 12.)

That the letter, Exhibit E, refers to a process which Maas "agreed not to use except for the benefit of said National "Colortype Company and that the other matters stated in "Exhibit E refer to the processes of complainant," namely: the manufacture of so-called colortype plates and printing therefrom; that colortype printing and colortype plates have a well-known and well established meaning in the trade, the latter being plates made by a secret photographic process for the exact reproduction by means of three colors printed by three separate plates of pictures and articles of merchandise. (Rec., 13.)

That many of complainant's processes are secret and new and that it is interested in keeping them secret; that there are few manufacturers of colortype plates and each manufacturer preserves the secrecy of his processes; that complainant has highly developed its processes and has secrets known only to its employees, and such secrets are a valuable asset, and Maas, Fierlein and Freese, through their employment, became acquainted with those secrets. (Rec., 13.)

That complainant and its predecessors and constituent companies have used great care to preserve secrecy in their

processes and have excluded all but necessary employees from their factories. (Rec., 13.)

That Maas, Fierlein, Freese and Schultz, unless restrained, will divulge to Quetsch and Seibert and the Continental Colortype Company, the knowledge regarding colortype printing, " *which said defendants had when they respectively en-* " *tered the employ of the complainant and* its predecessors, " and the knowledge which they have obtained while in the " employ of the complainant and its predecessors." (Rec., 14.)

That all of such divulging " *would be contrary to equity* " *and good conscience, would be a violation by said several* " *defendants of their various contracts hereinbefore men-* " *tioned, and would result in depriving the complainant of* " *a large part of the consideration for which Maas and Fier-* " *lein were paid eighty-four hundred dollars.*" (Rec., 14.)

That if Maas, Fierlein and Freese remain in the employ of the Continental Colortype Company it will expose the complainant to irreparable damage. (Rec., 14.)

That complainant has protested against Maas, Fierlein, Freese and Schultz leaving its employ and is now ready and willing to re-employ them. (Rec., 14.)

The bill prays an injunction against Maas in the terms of the contract, Exhibit B, and against Maas disclosing to any of the other defendants or any one connected with them, any knowledge relating to colortype plates or printing or from disclosing to said defendants " any of the business secrets, " names of customers of the complainant or other informa- " tion relating to the business of the complainant, *obtained* " *by said defendant while in the employ of the complainant or* " *its predecessors, or any of them.*" (Rec., 16.)

The injunction prayed against Fierlein was based upon his contract, Exhibit C, and against his disclosing any knowl-

edge acquired "while in the complainant's employ or in the "employ of the American 3-Color Company." (Rec., 16.)

The injunction prayed against Freese was based upon his contract, Exhibit D, and against his disclosing anything which he knew when he entered the employ of the National Colortype Company or learned while in the employ of the complainant or the National Colortype Company and from entering or continuing in the employ of any of the other defendants. (Rec., 16-17.)

The injunction asked against Schultz was against his remaining in the employ of any other of the defendants. (Rec., 17.)

The injunction asked against the Continental Colortype Company and Quetsch and Seibert, was against their employing any of the other defendants "or from using, employ-"ing or taking advantage of, in any manner whatever, any "information relating to the production of colortype plates "or printing therefrom, at any time obtained from" Maas, Fierlein, Freese or Schultz, or from making or continuing to make three-color plates or printing therefrom by means of such knowledge. (Rec., 17.)

The bill prayed a temporary injunction until final hearing and a perpetual injunction as above prayed, for such other relief as equity may require, with the usual prayer for service.

The foregoing statement of the bill, slightly condensed, shows every allegation and the full prayer that is contained therein. It is made with fullness for the reason that the appellant's brief contains no adequate abstract of the pleading. The brief not only goes outside of the record in stating the process of colortype printing (Appellant's Brief 3), but even states to the court what the evidence will show. (Appellant's Brief, 9-10.)

The purported statement of the bill of complaint which is found in appellant's brief, bears not the faintest resemblance to the bill itself. For instance, it is said (Appellant's Brief, 3): "There are few concerns aside from the "complainant which are producing pictures by this process; "*but that product is confined principally to a cheaper class of "work, and they are not nor is any one of them* capable of "producing work of the high degree of perfection attained "by the complainant, whose predecessors were pioneers in "the business." The only statement in the bill, referring to this matter, is that there are few concerns engaged in this business.

The accusations of bad faith and dishonesty against the principal defendants contained in appellant's brief, are couched in much stronger language than the sworn allegations of the bill, although the language of the bill itself is by no means an example of moderation.

These matters are noticed in order that the statements may not pass unchallenged. If inferences are to be made from the situation disclosed in the pleadings, it is apparent that a New Jersey corporation, one of the corporate organizations called "trusts" by the uninformed, was formed for the purpose of absorbing the Chicago Colortype Company, the National Colortype Company, the Osborne company and the American 3-Color Company. This organization found itself with a mass of assigned contracts and property in its possession and ownership. It went into the Federal Court to protect its contracts, and filed its bill in apparent ignorance of the effect of the statute limiting the jurisdiction of the Federal Courts as to assigned rights of action. It found that large combinations have their disadvantages as well as advantages, and now seeks in some way to avoid the effect of the law.

ARGUMENT.

I.

The statute already set forth at large provides: "Nor "shall any circuit court * * * have cognizance of any "suit * * * to recover the contents of any * * * "chose in action in favor of any assignee * * * unless "such suit might have been prosecuted in such court * * " * if no assignment or transfer had been made." (25 Stat., 433; 1 Supp. Rev. Stat., 612; 24 Stat., 552.)

The meaning of this statute has been settled in this court by a series of adjudications.

In *Sere* v. *Pitot,* 6 Cranch, 332, the statute was held to apply to the assignees of accounts and of unliquidated claims.

In *Sheldon* v. *Sill,* 8 How., 441, the statute was held to apply to the assignee of a bond and mortgage.

In *Corbin* v. *County of Black Hawk,* 105 U. S., 659, 666, the court said, referring to *Sere* v. *Pitot, supra.*

> "There, the plaintiffs were the general assignees of the effects of an insolvent debtor by operation of law. It was contended that the statute applied only to a voluntary assignment of a particular chose in action, and that the word 'contents' did not apply to accounts or unliquidated claims, but was confined to transferable paper. But the court held that the statute intended to except suits in virtue of equitable asignments, as well as suits in virtue of legal assignments, and to exclude from the federal courts the assignee of all the open accounts of a creditor, as well as the same person when the assignee of a particular note. The court say: 'The term "other chose in action" is broad enough to comprehend either case, and the word "contents" is too ambiguous in its import to restrain that general term. The "contents"

of a note are the sum it shows to be due, and the same may, without much violence to language, be said of an account.' Following out this principle, the obligation or the promise contained in a contract is its contents, when a suit is brought to enforce such obligation; and it does no violence to language to say that the suit is one to recover such contents.

In *Deshler* v. *Dodge* (16 How., 622, 631), it is said by the court, that the statute in question applies to cases, 'in which the suit is brought to recover the contents or to enforce the contract contained in the instrument assigned,' and that where the suit is brought to enforce the contract contained in the chose in action, the assignee is disabled unless the suit might have been brought in court if no assignment had been made. Again, in *Bushnell* v. *Kennedy* (9 Wall., 387), it is suggested by the court that the restriction applies to rights of action founded on contracts which contain within themselves some promise or duty to be performed, and that such contracts may be properly said to have contents."

In *Shoecraft* v. *Bloxam,* 124 U. S., 730, which was in effect a suit for the specific performance of a contract, the court said in regard to this statute:

"The terms used 'the contents of any promissory note or other chose in action,' were designed to embrace the rights the instrument conferred which were capable of enforcement by suit. They were not happily chosen to convey this meaning, but they have received a construction substantially to that purport in repeated decisions of this court * * *

It is contended, however, that the complainant is not the assignee of the contract of May 31st, 1871, but a mortagee in trust of the lands mentioned therein, and can, therefore, maintain the suit by reason of his citizenship in New York. We cannot assent to this position. It is true the complainant is a mortgagee in trust of such interest as the mortgagor had in the lands, but it brings the suit, not to foreclose the mortgage, but

as one having a beneficial interest in the contract, and consequently, a right to enforce it."

In *Plank Investment Co.* v. *Jacksonville, etc., R. Co.*, 152 U. S., 71, 76, the court construed the present statute which is a continuance of section 629 of the Revised Statutes and said:

"The contract between the trustees of the Internal Improvement Fund of Florida, and the defendant railroad company, being a contract between citizens and residents of the same state, could not be enforced by suit in a federal court. The complainant, the Plank Investment Company, claims the benefit of that contract and seeks to have it enforced for its benefit. It occupies, in fact, the position of assignee of that contract, its only right to the lands depending upon its validity. But it cannot enforce the contract in the Federal court; because, by section 629 of the Revised Statutes it is provided, that no circuit court shall have cognizance of any suit to recover the contents of any promissory note, or other chose in action in favor of an assignee, unless a suit might have been prosecuted in such court to recover the said contents, if no assignment had been made except in cases of foreign bills of exchange. And the same provision is contained in the act of March 3rd, 1887 c., 373, 24 Stat., 552, amendatory of the act to determine the jurisdiction of the circuit courts of the United States. As we said in the case of *Shoecraft* v. *Bloxam*, 124 U. S., 730, 735: 'The terms used, the contents of any promissory note or other chose in action, were designed to embrace the rights the instrument conferred, which were capable of enforcement by suit. They were not happily chosen to convey this meaning, but they have received a construction substantially to that purport in repeated decisions of this court.' And in support of this doctrine, the case of *Corbin* v. *County of Black Hawk*, 105 U. S., 659, was cited. In that case, a suit brought to enforce the specific performance of a contract was held to be a suit to recover the contents of

a chose in action, and therefore could not be maintained under the statute in question in a federal court in the name of the assignee, if the assignor could not have maintained such suit.

The complainant is not, it is true, designated in the pleas or in any formal instrument, as the assignee of the contract between the trustees of the Internal Improvement Fund, and the defendant railway company, but the term 'assignee' in the statute covers not merely persons to whom is technically transferred the contract in controversy, but any one who, by virtue of any transfer to him, can claim its beneficial interest."

II.

It remains to exaimne the bill in order to ascertain whether the complainant claims relief as transferee of certain contracts and property rights.

The bill itself sets forth the contracts at length, and then avers that the contract, Exhibit A, the contract, Exhibit B, of Maas, the contract, Exhibit C, of Fierlein, were transferred to the complainant by the National Colortype Company and the American 3-Color Company. (Rec., 7.) The contract of Freese, Exhibit D, is averred to have been transferred by the National Colortype Company to complainant as a part of the transfer of all its assets. (Rec., 9.) The contracts are pleaded as the ground for relief, the terms of those contracts are set forth as a part of the bill, and the injunctive relief prayed for follows the exact language of those contracts. The relief sought is an injunction negative in its terms, forbidding the defendant from violating the terms of the contracts. The negative covenants of the contracts are sought to be specifically enforced by the injunction. The relief sought against the other defendants refers to and is based upon the rights given by the contracts. It seems plain,

therefore, that this is a suit by the transferee of certain contracts to enforce rights growing out of the contracts. It is unquestionably a suit whose basis is the obligations created by the contracts.

The assignors of these contracts being Illinois corporations could not have maintained a suit against the defendants who are citizens of Illinois "if no assignment or transfer had been made." And therefore, the ruling of the Circuit Court was right, unless the considerations advanced by the appellant are sufficient to overthrow this conclusion.

III.

The first point urged by the appellant is that the transfer of the contracts, when assented to by Maas, Fierlein and Freese, made new and independent contracts with the defendant by novation, and that therefore, as to these contracts the complainant does not sue as assignee.

The brief of appellant is not entirely clear upon this point. It does not make plain whether the appellant contends that the former contracts are discharged, or whether they remain in force. The appellant says (Brief, 19):

> "We contend that the bill rests not merely upon contracts assigned to the complainant, but upon new contracts and relations formed by these defendants with the complainant direct at the time of its organization; that the bill alleges more than an assignment to the complainant of these contracts."

The terms of the bill are quoted as proving this contention; but it is apparent from an inspection of the bill, that the pleader did not so intend his bill at the time of drawing the bill. He was seeking to take the contracts out of the rule that a contract for personal services requiring special skill is not assignable by the employer in equity without the

consent of the servant. This rule was, of course, well known to the pleader, and he attempted to plead that the servant had assented to the assignment, and in this way the pleader evidently thought he was obviating the objection as to the non-assignability of the contracts.

See *Arkansas Valley Smelting Co.* v *Belden Mining Co.*, 127 U. S., 379.

The form of the allegation is not sufficient to make a novation, even if a novation were possible in a case of this kind. It will be seen by the authorities hereinbelow quoted, that the doctrine of novation is applied to debts, and so far as the cases indicate, the doctrine of novation is not applied to other contracts. But assuming that these contracts of service could be novated, novation requires that there must always be a discharge of a precedent contract as a consideration for the creation of a new contract.

In Anson on Contracts, 8th ed., Huffcut, 289, star paging 235, it is said, using the classic illustration of Mr. Justice Buller:

> "If A owes M £100, and M owes X £100, it may be agreed between all three that A shall pay X instead of M, who thus terminates his legal relations with third party. In such a case the consideration of A's promise is the discharge by M; for M's discharge of A the extinguishment of his debt; for X's promise, the substitution of A's liability for that of M."

These acts must be contemporaneous, and there must always be a party who is discharged. It is not enough for A, obliged to B, to say to C, "I will pay you instead of B," and afterwards receive B's consent.

Cuxon v. *Chadley*, 3 Barn. & C., 691.

Barnes v. *Insurance Co.*, 56 Minn., 38; 57 N. W. Rep., 314.

Nor would it be enough for B, to whom A is obligated, to authorize A in writing to pay C, and for A to acknowledge the paper.

Liversedge v. *Broadbent,* 4 Hurl. & N., 603.

The novation may take one of two forms. There may be two antecedent contracts, both discharged by the creation of a new contract with new parties, or there may be one antecedent contract discharged and the creation of a new contract as a consideration for the discharge of the antecedent contract, but all three of the parties engaged in the novation must enter into the arrangement, and the original antecedent liability must be extinguished. This is essential because it is the act of each that is the consideration for the new promise.

American Paper Bag Co. v *Van Northwick,* 52 Fed, Rep., 752; 3 C. C. A., 274.

In 6 Harvard Law Review, 184, there is an admirable article by Professor J. B. Ames, which fully explains the character of a novation, but the point we are contending for is elementary and has never been lost sight of by the courts.

The appellant's brief cites a definition of novation from 21 Ency. of Law, 2nd ed., 660. The definition is not entirely accurate, but it is sufficient to say of the citation, that the writer of the article classes under the head of novation, no case where there is not a discharge of some party to the antecedent obligation as the consideration for the contract created by novation.

But the writer of this article states (21 Ency. of Law, 2nd Ed., 662), that the substitution of one creditor for another is ordinarily treated as an assignment.

The case of *Chapman* v. *Longworth,* 31 Ohio State, 421-3, recognizes the principle for which we contend, to its fullest

extent. That case shows that where a new party comes into a contract by transfer, there is no release of the party transferring, who is bound by the contract. The assumption in appellant's brief (Brief, 21), that "such substitution necessarily includes the release of the old employer" is shown to be unwarranted by this very case, nor is it warranted by any case which we have seen.

As to the contract with Maas, which was under seal, it is very questionable whether a release of that contract could be pleaded without averring that the release was under seal.

The case of *McKinney* v. *Alvis,* 14 Ill., 33, the syllabus of which is cited by appellant, is an old and leading case for the doctrine we are contending for. The case expressly holds that the assignor's claims upon his debtor and the assignor's liability to the assignee should be extinguished by a new arrangement between all the parties creating a new contract.

The later case of *Hayward* v. *Burke,* 151 Ill., 121, 130, is to the same effect, and shows that there has been no departure from the principle in this state.

The bill of complaint alleges nothing more than an assignment under this rule. It is apparent that in every case of assignment recognized in equity, there is a substitution of parties to the extent that the assignee of the contract can call upon the other party to the contract to perform, and, as stated by the authority referred to by the appellant, such cases are ordinarily treated as assignments. See *Wiggins Ferry Co.* v. *O. & M. R. Co.,* 142 U. S., 396.

If the appellant had desired to plead a novation, he must necessarily have alleged a contract existing between A and B; then he should have alleged an agreement between A, B and C, whereby the contract existing between A and B was discharged, and in consideration of such discharge, a new contract was created between B and C, and A released from the antecedent contract with B.

But after all, it makes little difference what name is given to the transaction. The essence of the transaction is what must be considered. The allegation is that the National Colortype Company transferred the contract to the complainant, and that the defendant assented thereto, and thereby the complainant was substituted as a party to said contract in place of the assignor. No new contract is pleaded, but it is expressly stated that the transferee came into the existing contract in place of the transferor.

Such a transfer falls within the terms of the statute.

In the case of *Plank Investment Co.* v. *Jacksonville, etc., R. Co.*, 152 U. S., 71, there was precisely that kind of a substitution, and the substitution was recognized by the parties to the original contract, but the court held, without hesitation, that such a transfer fell within the terms of the statute.

The case of *Wiggins Ferry Co.* v. *O. & M. R. Co.*, 142 U. S., 396, cited by appellant in an amendment to its brief, has no bearing upon the question of novation. In that case a ferry company had conveyed land to a railroad company upon condition. The railroad company suffered a foreclosure and a new company purchased its franchises, and the question was whether the new company was bound to perform the conditions of the contract. The ferry company had intervened in a foreclosure suit against the new company. No question under the assignment statute arose. The court held that although there was no assignment of the contract to the new company, yet the new company, by acting upon the contract, bound itself to perform. In other words, the assignment arose by act of the parties outside of a formal assignment, although the contract was non-assignable, without the consent of the ferry company. But this case does not hold that a novation took place. A second matter of distinction is that the contract was a conveyance of land

and the new company came in as equitable owner and assignee of the land. From the foregoing it is plain that the case has no bearing upon the question of novation.

As it has been said, any assignment of a contract in equity substitutes the assignee as a party to the contract to a certain extent. No assent of the other party to the contract is necessary, unless the contract be one assignable only with his consent. If that consent is given, the assignment is just the same as that of any other contract assignable without consent. The contract remains the same. Its terms are in nowise altered. It has gained a new party succeeding to the rights of the old party. The new party is certainly one who answers the description of "any one who by virtue of any "transfer to him can claim its beneficial interest." (152 U. S., 77.)

IV.

The second point urged by the appellant is that the bill charges that Maas, Fierlein, Freese and Schultz obtained certain confidential information from the complainant during their employment by the complainant, and as to such information, the complainant's right to relief ought not to have been denied.

There are three classes of information mentioned in the bill. The first is, information possessed by certain defendants which they had at the time they entered into the employ of the predecessors of the complainant, which information the defendants bound themselves by contracts with such predecessors not to disclose, which contracts were transferred to the complainant.

The second kind of information is that acquired by the same defendants while in the employ of the predecessors of the complainant. It is averred that the defendant Maas and

the defendant Freese were bound by contract with such predecessors not to disclose such information, and that such contracts were transferred to the complainant. It is not made clear by the bill of complaint, upon what ground it claims that the defendant Fierlein was bound not to disclose information gained while in the employ of the complainant's predecessors, but the inference from the pleading is that the right to resist the disclosure of such information passed by the transfer of the American 3-Color Company to the complainant of its property and assets.

The third kind of information is that acquired by the same defendants while in the employ of the complainant.

The first two species of information the defendant seeks to enjoin solely by virtue of the fact that defendant has succeeded to the contracts of its predecessors, and as to that controversy we believe we have demonstrated the court had no jurisdiction.

The third class of information really stands upon the same ground, as we think is easily demonstrable. It may be assumed that the rule of equity is that where a person has been employed in a business of a secret nature, and has bound himself to labor for a certain term, or has expressly or impliedly agreed not to disclose the secrets of that business, equity will enjoin a disclosure by such person of the secrets learned by him by reason of his employment during the period for which he has agreed to serve, or will enjoin such disclosure altogether if the person has so agreed. It may also be a rule of law that in the absence of any agreement, equity will enjoin as a breach of trust, the disclosure by an employee of business secrets learned in the course of a confidential employment, although as to this rule, there is considerable doubt.

It will readily be admitted, however, that the employer and

the employee may control the rule otherwise applicable by an express contract, and if there be an express contract governing the confidential service, that express contract will govern the matter.

In the case at bar, there are express contracts governing the disclosure of the secrets of the business. Those contracts are claimed by appellant to be in force. They are claimed to govern the relations of the parties. The matter of disclosure is provided for in those contracts with particularity.

These contract relations with the defendants are rights which the appellant obtained by assignment, and hence they stand upon the same ground precisely as the disclosure of the other two species of knowledge.

But another and sufficient answer to this claim of appellant is that his bill was not drawn with any reference to this contention, nor does his bill rely for any separate relief upon the ground which he now advances. Nowhere in the bill can we find any distinct or substantive ground of relief as to this particular matter, but the relief asked is always in connection with the contract rights and is not based upon this contention. Wherever any violation of an obligation is alleged it is with reference to the transferred obligations.

The appellant, after the court had ruled by sustaining the demurrer, was permitted by the court to amend its pleas. If it could have stated a distinct case for relief upon the ground which it now claims, or upon the ground of novation, we may assume that it would have done so. The complainant had no right to ask the court to go through its pleading and frame a proper bill for it. It voluntarily chose to stand upon its pleading as it was, and hence it is not now in position to complain in regard to this matter. If the complainant relied upon this ground for relief, the bill should have been amended so as to present the point to the court in such a way that the court could have ruled upon it.

V.

The third and last point urged by appellant depends upon the validity of the second point just noted. If the second contention is not well taken, the third cannot be.

But something should be said in regard to this third contention, which is, that since the lower court had jurisdiction to enjoin the disclosure of information acquired by certain defendants while in complainant's employ, it may adjudicate upon the other matters inseparably conected therewith, namely, the disclosure of information known to those defendants, which they contracted with complainant's assignors not to disclose, and the disclosure of information acquired while in the employ of the complainant's assignors. The reason being that there is but one cause of action.

The fundamental defect in this proposition is that it assumes the very point in dispute. It impliedly asserts that the complainant has one ground to relief which accrued to it directly, that it has other grounds to relief which it acquired by assignment, and it is assumed that these matters constitute but one cause of action, and that they are inseparably connected. But there is no allegation in the bill showing or averring any such necessary connection.

The only reason why they are inseparably connected, suggested by the complainant, is the difficulty of proving information acquired while in the employ of complainant as separate and distinct information from that acquired by defendants while in the employ of complainant's predesessors or possessed by them when they entered the employ of complainant's predecessors. But this is not sufficient. There would be no difficulty in framing a bill to enjoin the disclosure of information confidentially acquired by defendants while in complainant's employ. If the

complainant is possessed of secrets of business, separate and distinct from those which it obtained by assignment and separate and distinct from the information possessed by defendants when they came into the employ of the complainant, there ought to be no difficulty in showing what those secrets are, and we may assume, when the complainant refused to amend its bill, it placed no reliance upon this proposition.

Again, a cause of action accruing to complainant by assignment cannot, in the nature of things, be the same, or a part of a cause of action accruing to complainant in its own right.

It is not disputed that there is a rule of equity which enables a court of equity having acquired jurisdiction of a controversy for one purpose, to retain it for all purposes so as to do complete justice between the parties.

But this rule of equity practice does not admit of a construction that a court of equity having jurisdiction of one part of a large controverys, will assume jurisdiction of the rest of the controversy, although it is forbidden by statute so to do.

The case cited by appellant, *Evans* v. *Durango Land & Coal Co.*, 80 Fed. Rep., 433, does not justify any such contention. That action was trespass, and it is elementary that a cause of action for a continuous trespass is indivisible. Damages are recoverable down to the bringing of the action, and if not asked for, they are lost, since the cause of action cannot be split.

Whether or not the particular case cited was well decided, it is not necessary to consider, for it can have no bearing in this connection. But it may be remarked, that at the time the motion to remand the case was made, a federal question was involved, but upon the trial of the case, that is to say, upon the trial of an issue of law in the case (and an issue of law can be tried just as well as an issue of fact), it appeared

that the plaintiff was not entitled to recover for a certain length of time, but that fact could only appear by the trial of an issue of law and by a construction of the Federal statutes, and hence, it having appeared upon the trial of the issue of law that there was no Federal question, it was too late to remand the case.

VI.

The appellant seeks to convey the impression that it cannot obtain justice in the state court because of "the well recog- "nized disposition of that court to declare invalid any con- "tract or understanding in restraint of fraudulent competi- "tion." (Brief 15.)

A court that does not trouble itself about agreements in restraint of competition generally but confines its efforts to promoting fraudulent competition, is certainly a judicial phenomenon.

The case of *Peck Bros. Co* v. *Peck,* 113 Fed. Rep., 291, 300, is cited as having decided that the state court, which we presume is the Supreme Court of Illinois, was afflicted with this reprehensible tendency. It is needless to say that the opinion contains no such remarkable assertion.

It appears from the case cited, that the Circuit Court of Appeals refused to follow a certain decision of the Supreme Court in regard to a use of a corporate name, to-wit: *Hazelton Boiler Co.* v. *Hazelton Tripod Boiler Co.,* 142 Ill., 494.

It could easily be shown that the Circuit Court of Appeals was misled as to the rationale of the decision of the State Court, and that the law as held by both courts is precisely the same. But such a discussion is not material upon this appeal.

The state court in their opinion say (142 Ill., 510): "There was no trade secret in their (the boilers') manufac-

ture which was hedged about by any sanctity which the defendant was not at liberty to invade."

It thus appears that the case could not be a precedent in such a controversy as the complainant presents, for it relies upon trade secrets as its ground for relief.

There was in the Illinois case, no question of contract rights, since it was expressly held (142 Ill., 506), that at the time the complainant in that case obtained its rights to its manufacturing business, there was no appropriation of the word "Hazelton" as a trade mark or trade name.

But we are not prepared to admit the materiality of the suggestion that the Federal Court ought to assume jurisdiction of a suit, because the complainant feels assured that the state court will decide against him. The appellant's counsel have hardly done themselves justice, either in inserting the suggestion in their brief, or in using the unfortunate phrases in which the suggestion is couched.

In the conclusion of its brief, the appellant loses sight of the particular point involved in this appeal and argues the merits of its claim. It is even suggested that "the concerns "whose businesses have been merged in that of complainant's " * * * have now no separate existence." There is no allegation in the complainant's bill, that will bear this interpretation. But whether the complainant's case is a meritorious one or not, it must be decided by the tribunal which has jurisdiction to adjudicate upon it.

JOHN C. MATHIS,
Solicitor for Defendants.

SHOPE, MATHIS, ZANE & WEBER,
of Counsel.

Supreme Court of the United States.

No. 440.—October Term, 1902.

The American Colortype Company, Appellant, vs. Continental Colortype Company, William J. Maas, Baxter J. Fierlein, Henry Freese, Henry E. Schultz, O. H. Quetsch, and J. O. M. Seibert. } Appeal from the Circuit Court of the United States for the Northern District of Illinois.

[January 19, 1903.]

Mr. Justice Holmes delivered the opinion of the Court.

This is a bill in equity brought in the Circuit Court for the Northern District of Illinois by a New Jersey corporation against an Illinois corporation and private persons, citizens of Illinois. Upon demurrer the bill was dismissed for want of jurisdiction on the ground, as is certified, that it was a bill to recover the contents of a chose in action in favor of an assignee, the assignors being citizens of Illinois. The case comes here by appeal. The prayers of the bill are for injunctions to prevent the defendants Maas, Fierlein, Freese and Schultz assisting the defendant company or the defendants Quetsch and Seibert in the three-color printing business, revealing secret processes, &c., until different specified dates. The main ground of the prayers is the contracts to be mentioned, and the question is whether the claim stated by the plaintiff is a claim as assignee.

The plaintiff is the assignee of the assets and good will of the National Colortype Company, the American Three-Color Company, Illinois corporations, and the Osborne Company, a New Jersey corporation, and was formed on March 1, 1902, for the purpose of consolidating the three. Among the more important contracts which purported to be transferred were two between the National Colortype Company and Maas and Fierlein respectively. By the former Maas was employed as superintendent of the plat-making department, and agreed to remain in the company's employment and not to accept employment from others in the business of three-color printing for five years from December 1, 1901, and not to become interested in any way in that business in the United States, east of the Rocky Mountains, or divulge any secrets or processes relating to that business, for ten years from the day mentioned. By the other contract Fierlein was employed as salesman, and agreed to devote his whole time and attention to the interest and business of the company for two years from

the same date. There was a similar contract with the defendant Freese, expiring May 1, 1903, but containing a promise by him never to divulge any of the secrets, methods or practices of the company, and agreeing that his going to work for any others engaged in similar business should be considered a breach of the promise just set forth.

The bill alleges that Maas, knowing of the transfer, consented to it, announced his intention of holding the plaintiff to the contract with him, remained in its employ in the same capacity, accepted the stipulated salary and was instructed in valuable secrets, and that the complainant by the consent of all parties became substituted as a party to the contract in place of the National Colortype Company. There are shorter but similar allegations concerning Fierlein and Freese. An independent contract with the defendant Schultz is alleged, which has expired, but it is alleged that by virtue of his employment he also has become possessed of trade secrets and processes belonging to plaintiff.

The bill goes on to allege that Maas and Fierlein while in the plaintiff's employment and pay, conspiring with the defendants Quetsch and Seibert, got up the defendant corporation as a rival to the plaintiff, induced the defendants Freese and Schultz to enter its service, have taken over their own special skill and knowledge of the plaintiff's secrets to the hostile camp, and, in short, will ruin the plaintiff if they are permitted to go on.

We are of opinion that a case is stated within the jurisdiction of the court. It is true that the starting point for the relations between the plaintiff and its employees was what purported to be an assignment. It is true that the bill emphasizes this aspect of the case and states the evidence more accurately than the result. But those circumstances do not change the legal conclusion from the facts set forth. The allegations show that, having the old contract before them, the parties came together under a new agreement, which was determined by reference to the terms of that contract, but which none the less was personal and immediate. Maas, Fierlein and Freese, who were under contract with the National Colortype Company, agreed to work for the plaintiff instead. The plaintiff accepted their promises and gave a consideration for them by undertaking personally to pay. It does not matter that the bill calls this becoming substituted as the employer and as a party to the old contracts. The plaintiff could not become substituted to a strictly personal relation. All that it could do was to enter into a new one which was exactly like that which had existed before. Service is like marriage, which, in the old law, was a species of it. It may be repeated, but substitution is unknown. *Arkansas Valley Smelting Co.* v. *Belden Mining Co.*, 127 U. S. 379, 387.

It may be that the form of the allegation was suggested by the hope to get some help from the written documents when the plaintiff comes to the proof, as against difficulties raised by the statute of frauds. We have

nothing to do with that. It is quite manifest that the plaintiff, if it prevails, will not do so on the ground that, by virtue of the transfer to it, it can claim the beneficial interest in the original agreements, and thus is an assignee within the definition given in *Plant Investment Co.* v. *Jacksonville, Tampa & Key West Ry. Co.*, 152 U. S. 71, 77; if it recovers it will recover on a promise made directly to it upon a consideration which it has furnished. This test is recognized in *Thompson* v. *Perrine*, 106 U. S. 589, 593, although the doctrine there quoted from Mr. Justice Story, that the holder of a note payable to bearer recovers on a new promise made directly to himself, has been controverted elsewhere, and, indeed, long has smouldered as a dimly burning question of the law. Holtzendorff, Rechtslexicon, sub v. Inhaberpapiere, ad fin. (3d ed. 365, 371). Compare *Abbott* v. *Hills*, 158 Mass. 396, 397, Story, Confl. of Laws, 8th ed. § 344.

What we have said suggests the answer to the objection that a novation is not set forth. The allegations seem to mean that the old company was discharged, but this is not a question of novation. We are dealing with a new bilateral contract made up of mutual undertakings to serve and to pay. The implication that the old contract is discharged is material only so far as it shows that the plaintiff's rights can be enforced without unjustly disregarding the rights of a third person.

It is unnecessary to consider whether an independent ground of jurisdiction is shown in the threatened revelation of trade secrets, or to discuss the different position of the defendant Schultz. Whether the obligation not to disclose secrets be independent of the express contract or not, a case is made out. The question of independence will not arise unless a difficulty is encountered in the evidence because of the statute of frauds, but that is not a matter of pleading. We have not to consider how far the injunction should go in case the plaintiff succeeds, or anything except the objection that the plaintiff is suing as an assignee.

Decree reversed.

True copy.

Test:

Clerk Supreme Court, U. S.